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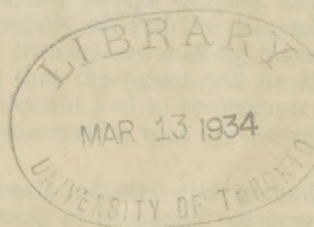
DOMINION OF CANADA

THE DEPARTMENT OF AGRICULTURE
AND
THE DEPARTMENT OF TRADE AND COMMERCE
CO-OPERATING

THE AGRICULTURAL SITUATION

and outlook

(Prepared February, 1934)



Published by Authority of
The Honourable R. Weir, Minister of Agriculture

and

The Honourable H. H. Stevens, Minister of Trade and Commerce,
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FOREWORD

At a meeting held in Toronto on November 22, 1933, the Executive of the National Advisory Committee on agricultural services for Canada appointed a committee to arrange for an annual study of the agricultural situation. The personnel of this committee is as follows: J. F. Booth, Commissioner, Economics Branch, Department of Agriculture, Ottawa, Chairman; T. W. Grindley, Chief of Agricultural Division, Dominion Bureau of Statistics, Department of Trade and Commerce, Ottawa; J. E. Lattimer, Professor of Agricultural Economics, Macdonald College, Quebec, and J. Coke, Assistant Commissioner, Economics Branch, Department of Agriculture, Ottawa, Secretary.

Early in January of this year an organization meeting was held in Ottawa to consider plans for the undertaking. This meeting was attended by representatives of the Federal Departments of Agriculture and Trade and Commerce. On that occasion sub-committees were named to assemble the available information and to prepare preliminary reports dealing with various phases of the subject. These reports were later considered and accepted at a general conference held on February 8 and 9, at which time representatives of the Departments of Agriculture of British Columbia, Saskatchewan, Ontario, and Quebec were also present.

Since this is the first Canadian report of its kind dealing with the national agricultural situation and outlook, its purpose should be briefly explained. It aims to present in concise form a review of domestic and foreign demand and competition and to analyse the factors affecting the supply of, and the demand for, particular farm products. Issued at a time when farmers are making plans for the ensuing year, or for several years, it is hoped that the report will be of some assistance. In this respect it is intended to supplement and to co-ordinate, rather than to displace, reports dealing with current information that are issued periodically by different departments.

While the facts disclosed by this survey of our basic industry give ground for some optimism concerning the future, the forecasting of economic recovery and of the trend of prices has not been considered the primary purpose of this work. On the contrary, it should be considered as an effort to present basic information and, within certain limits, to offer such interpretations as may be helpful to those engaged in farming.

The committee is desirous that full credit for the preparation of the various sections comprising this completed report be given to the officials who co-operated in their preparation, and that special recognition be given Messrs. T. G. Major, A. E. Richards and P. E. Light for assistance in arranging and editing the manuscript.

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The Agricultural Situation

DOMESTIC DEMAND

Recent improvement in general business conditions in Canada gives ground for some degree of confidence with regard to the domestic market for Canadian farm products. Present indications do not warrant any expectation of a rapid rise in prices of agricultural produce but, nevertheless, there has been some advance in recent months after a period of almost uninterrupted decline. Certain developments support the view that the demand for the products of Canadian farms should show moderate improvement in the immediate future.

Among these developments should be noted the substantial rise in the index of physical volume of business which took place in recent months and which shows every indication of being maintained. Employment conditions have improved not only in regard to numbers employed but also in respect to the days or hours of work per week. In addition, wholesale prices in general have shown an upward trend since March, 1933. The decline in the volume of retail sales during the last five months of 1933 was less than during the same period in any of the three previous years, due in part to increased earnings and in part to relatively lower retail prices. Finally, there has been a tendency for prices which the farmer receives to rise nearer to the level of those of goods which he buys. A continuation of this trend will improve the farmer's position in 1934.

PHYSICAL VOLUME OF BUSINESS.—One of the most hopeful features of 1933 was the substantial improvement in the physical volume of business transacted. This index was at a low point during the early months of the year but between March and September there was an uninterrupted improvement and while the index for December stood at 86.2 as compared with 90.8 in September, it must be borne in mind that the decrease was seasonal and that the December figure was 13.6 points above that for December, 1932.

The index of manufacturing was 88.6 in December last as compared with 70.2 in December, 1932. Mineral production was about 12 points above the figure for the last month of 1932. Electric power output was distinctly higher in the last six months of 1933 than during the first six months and finally, car loadings increased rapidly during December, 1933, and in January, 1934. Construction continued at a low level in 1933, but there are indications that improvement will be shown in 1934. Grain marketings declined largely because of lower production. Increased business activity along with lower storage stocks of many commodities indicates that supplies should move somewhat more rapidly in the future.

EMPLOYMENT.—One of the evidences of depression has been curtailment in employment. The annual index of employment computed by the Dominion Bureau of Statistics (1926 = 100) was 119.0 in 1929; in 1932 it dropped to 87.5 and to 83.4 in 1933. It is significant, however, that in 1933 the monthly index rose steadily from June to December when it reached 90.9. Moreover, there is evidence to show that those employed were able to work more days per week during the latter part of 1933. In a few industries wages have been increased but this has not been general. There is, however, some ground for the belief that employment may be more general in 1934.

BUSINESS FAILURES.—Available data indicate that business failures in 1933 were fewer than in 1932 and liabilities were considerably less.

PRICE TRENDS.—During 1932, the index number of wholesale prices reached the low point of 64 in December. This downward movement continued until February, 1933, when the index was 63·6, wholesale prices then rising steadily until July when the index was 70·5. A slight recession set in during August which continued through September, but prices again strengthened in October and the December index was 69·0, while that for January, 1934, was 70·6. The yearly average index was 66·7 in 1932 and 67·2 in 1933; while this gain is not large, it must be remembered that the index dropped steadily from 1929 to 1932.

The index of the cost of living for 1932 was 81·4 and it receded to 78·0 in 1933. During the latter year the low point of 77·0 was reached in May and June, following which the index rose until it reached 78·8 in September. There were slight recessions in October and November but in December the index advanced to 78·4. During 1933, the index number of retail prices of food fell to the low point of 60·4 in March; the high point for the year, 67·8, occurred in August; the December figure was 66·6.

Although no index of actual prices received by farmers has been computed, it is apparent from one based on wholesale prices of farm products sold largely in an unprocessed condition that there was an advance from 48·4 in 1932 to 51·0 in 1933. The index number of prices of field products advanced from 41·1 in 1932 to 45·7 in 1933; even more significant has been the fact that this index was 33·4 in December, 1932, and rose to 45·3 at the end of 1933. Prices of animal products do not show such a wide range. The index was fractionally higher than that for 1932 but a comparison of the year-end indexes shows that in December, 1933, this index was 8·5 points above that for the same month in 1932. Thus prices tended to be stronger in 1933 as contrasted with an almost steady decline in the previous four years.

FARM PURCHASING POWER.—No index of the ratio of prices received by farmers to those paid for goods farmers buy has been computed. Since, however, wholesale prices of Canadian farm products advanced somewhat in 1933 while the index of retail prices declined, it may be assumed that there was a slight improvement in the farmers' position in this regard. Nevertheless, it must necessarily continue to be affected by accumulated debts.

CREDIT CONDITIONS.—There appears to have been very little money available for mortgages in so far as corporations and private lenders were concerned. Short time financing has been limited to first class risks. The volume of loanable funds has been restricted in the case of agriculture because of extremely low farm revenues and declining land values but funds for this purpose will probably be more readily available if prices of farm products continue to advance. Rising prices will also bring a return of confidence and lessen the necessity for forced sales. Such liquidations have already been reduced through the effectiveness of debt adjustment legislation, supplemented by amicable arrangements between debtors and creditors.

MONETARY FACTORS.—Without attempting to go into details it should be pointed out that the foregoing discussion has not dealt with the effects of currency policies in any way. It should, however, be borne in mind that monetary policies both in Canada and in other countries may affect price relationships of agricultural products in 1934.

CONSUMPTION.—During the first seven months of 1933, the value of retail sales was materially below the corresponding months in 1932, but commencing in August there was an upturn and there is evidence that on the whole, the last five months of 1933 will show less decline than in the corresponding months in 1932. It should be noted that reports from twenty-three chain stores indicate that retail sales of groceries and meats have not shared in this advance to the

same extent that some other commodities have participated. There may be several reasons for this. One is, that retail prices of food were at lower levels than in 1932. Another is, that this index did not fall as low as that for commodities such as hardware, boots and shoes, or clothing. Furthermore, in these latter products necessary replacements probably affected the indexes. There is evidence to show that consumption of beef, pork, butter, eggs, and poultry has been higher than that of some other goods. Further, the growing tendency towards the direct purchase of fruit, vegetables, eggs and other food commodities from farmers and road-side markets, rather than in retail stores, has been a factor in retarding the advance in the index of retail sales.

Imports of farm products for consumption have been lower during the past three years. It is estimated that during the fiscal year ending March 31, 1934, imports of farm products from the United States will be 10 per cent lower than in 1932-33 while those from the United Kingdom will be about $4\frac{1}{2}$ per cent less and those from other countries 5 to 10 per cent lower. Field crops imported as raw materials during the fiscal year ending March, 1932, were valued at \$21,808,014 as compared with \$15,707,613 in 1932-33. Imports of field crops partly manufactured amounted to \$342,697 in 1931-32 whereas in 1932-33 the value was \$168,233. Imports of field crop products fully or chiefly manufactured were valued at \$30,663,137 in 1931-32, whereas in 1932-33 the value of these goods was \$18,093,015. The total value of imports of field crop products was, therefore, \$33,968,861 in 1932-33 as compared with \$52,813,848 in 1931-32. Raw materials of animal origin imported in 1931-32 were valued at \$7,798,332 as against \$5,098,069 in 1932-33. Partly manufactured goods of farm animal origin imported in 1931-32 were valued at \$7,862,989 compared with \$6,288,673 in 1932-33. Fully or chiefly manufactured animal products imported in 1931-32 amounted to \$22,333,856 but the value of goods of this class imported in 1932-33 was only \$14,049,531. Thus the value of imported animal products was \$25,436,273 in 1932-33, whereas in 1931-32 it was \$37,995,177.

The restricted volume of international trade has emphasized the importance of the domestic market resulting in the replacement of many imported products by those of Canadian origin. It is estimated that on a value basis the proportion of Canadian farm products entering into total consumption was 60 per cent in 1929-30 as against 90 per cent in 1932-33. There are some farm products which are now almost entirely dependent upon the domestic market.

GENERAL CONSIDERATIONS.—Consideration has been given to those factors which usually determine the trend of prices and production. It may be well, however, to recognize the possibility of political and economic changes in the world at large which at present cannot be foreseen. These may affect general economic conditions in this country and might, therefore, exercise an important influence on agriculture. Bearing this in mind, the analysis of the factors likely to affect domestic demand gives ground for conservative optimism. While it would be unreasonable to expect that the course of agricultural and industrial business will show a uniform upward trend, nevertheless, the outlook is more hopeful than at any time during the past three years.

FOREIGN DEMAND AND COMPETITION

Demand

An estimation of foreign demand is complicated by the extreme nationalistic attitude which characterizes the policies of most nations at the present time, and by the efforts which are being made in many countries to protect farmers from low world prices. Such policies take the form of tariff barriers, price-fixing arrangements, preferential bilateral trade agreements, tariff bargaining, quota systems and exchange controls. Many of these barriers to trade arose as a result

of the depression because of the conviction that they were necessary in order to balance international payments or to protect monetary systems. A large number of them are due to less temporary causes, such as the determination to attain national self-sufficiency in certain lines or to protect the farming community against low world prices. If all of them were the direct result of the depression, then it might be expected that as it recedes, there would be fewer restrictions in trade relationships. Under the circumstances, this is not to be expected. Many obstacles lie in the pathway of a resumption of the less restricted trading of earlier years. Nevertheless, there can be no doubt that returning prosperity will see the gradual removal of some of the trade barriers which have come into existence as a result of the depression. It is important, therefore, to view the chief markets in which Canadian farm products are sold in order to see what hope their present economic condition holds for improved demand.

For the fiscal year ending March 31, 1933, nearly 60 per cent of all Canadian exports, which in their original state were produced on Canadian farms, went to the United Kingdom. Only 3·1 per cent went to the United States, and 37·7 per cent went to other countries. The twelve months ending November, 1933, indicate an increase of approximately 10 per cent to the United Kingdom and of 50 per cent to the United States. Tentative figures show the United Kingdom as taking 70 per cent of exports involving Canadian farm products, the United States about 5 per cent, and the rest of the world roughly 25 per cent. An improvement in economic conditions in the United Kingdom, therefore, is of particular interest.

UNITED KINGDOM.—In the United Kingdom, especially during the last half of the year, there were few who did not feel that a turning point had been reached and that the outlook for 1934 was brighter. Outstanding among the indicators of better times was the reduction in unemployment. The numbers of unemployed have been decreasing since January, 1933. Insured and uninsured persons registered at employment exchanges, etc., fell by 643,000 between January and November, the figure for November, 1933, being the lowest for that month in the last three years. One estimate stated that 800,000 more wage-earners of all kinds were receiving wages at the end of December than a year previously. It is noteworthy that the improvement has been widespread and includes employment in the great staple industries which have been most affected by post-war conditions, such as coal-mining, iron and steel, cotton, woollen and worsted, shipbuilding and ship-repairing. This improvement is due not only to internal trade but also to some increase in export trade. A combination of smaller imports and greater exports has resulted in a reduction of the adverse visible balance of trade, amounting to 231 million pounds sterling for the first eleven months of 1933, which is 32 millions less than in 1932, and 139 millions less than in 1931.

Financial conditions have shown considerable improvement. Large conversion operations have brought about a reduction in interest charges amounting, up to the beginning of December, to some 52 million pounds sterling. Largely as a result of this saving, ordinary expenditure of the State has been reduced from 520 million pounds sterling in 1932 to 467 millions in 1933. In the same period, ordinary revenue has risen from 365 millions to 376 millions. It is expected that the budget of 1934 will reveal a small surplus.

It is hoped that the gains of 1933 will be held and improved in 1934. Orders in hand for the leading industries are said to be capable of maintaining the present rate of activity for some time and demand also is holding up. Railways are undertaking large development and replacement programs, housing schemes are under way, and trade agreements recently completed are only beginning to make their influence felt.

WORLD OUTLOOK.—Not only in the United Kingdom is this improvement to be found, but ample evidence is available to show that it is a fairly world-wide occurrence. The economic improvement has developed in spite of the somewhat disappointing outcome of the World Economic Conference and the Disarmament Conference, withdrawals from the League of Nations, and uncertainties regarding the monetary program of the United States. It indicates a recovery of such strength as to be able to make progress in spite of obstacles which should have stopped a movement anything less than fundamental in character.

The trend of industrial operations in several of the most important countries of Europe is measured from month to month by indexes published by the League of Nations. The methods of compilation differ from country to country, but the results are useful in depicting cyclical fluctuations. These indexes measuring production trends furnish a good indication of current economic conditions. They are available for ten countries, including United Kingdom, Germany, France, Czechoslovakia, U.S.S.R. and others. Of these, nine recorded a gain in the latest month for which statistics are available, over the same month of 1932. The averages of the available monthly indexes for 1933 showed gains over the averages for the preceding year, except in Belgium and Austria.

While the market for Canadian farm products in the United States is a very limited one under present tariff arrangements, nevertheless economic conditions in that country cannot fail to have repercussions upon Canada, whether direct or indirect. A prosperous United States would lift up the level of world demand and thus tend to induce a renewed flow of international trade. Present indications are that a strong upturn in business is underway in spite of uncertainty with regard to some features of the recovery program.

In general, it may be said that the world outlook from an economic point of view is more hopeful than in any year since the depression commenced. Employment and purchasing power are increasing and, despite numerous barriers, this will lead to some increase in international trade. With returning confidence and prosperity, the nations will be able to set their own houses in order in so far as national conditions will permit. The limitations of a national outlook will force attention upon international aspects in order to secure a wider measure of trade and prosperity. A determined onslaught against such problems as currency and exchange, war debts, and even tariff barriers might then be expected. Of most immediate importance is the question of currency and exchange, for once some system of stable exchange is decided upon the way will be open for a renewed flow of international capital which is the indispensable accompaniment of an expanding international trade.

Competition

The question of foreign competition is dealt with under specific commodities. In general it may be said that since Canada's chief market for the sale of agricultural products is the United Kingdom, Empire trade agreements limit the amount of foreign competition in many lines. In European countries the desire for self-sufficiency in wheat production, or the policy of protecting their own farmers from low world prices, is a competitive factor of first importance. Even in the United Kingdom assistance to farmers is a strong competitive factor with Empire products. The immediate outlook with regard to competition is that while it will continue to be intense, rising world prosperity would remove some of the causes of protective measures for farmers and gradually modify some of the forces which at present make for extreme competition.

PRICE TRENDS ABROAD.—Wholesale price index numbers of the six countries which take over 90 per cent of Canadian agricultural exports, combined into a single index, show a rising tendency through 1933. The average of 65.1 in

January fell to 63·2 in April and rose to 67·3 in December. Indexes for individual countries are in currency. In every country except Belgium, prices declined early in the year and rose thereafter. In France, a country which adheres to the gold standard, the December figure of 58·6 was not so high as the January figure of 59·1, but there was a drop of 55·1 in May. In Great Britain the index was 67·7 in January, 65·7 in April, and 69·5 in December.

Unfortunately it is not possible to obtain a comparison of the movement of farm prices with the general price trend for all countries. In the United States, farm prices were 40·9 in February and 55·5 in December, which compares with a movement in the general index from 59·8 in February to 70·8 in December. In the United Kingdom, cereals rose from 58·0 in March to 58·4 in December; meats and fish from 65·4 in July to 73·8 in December, and the general index from 65·7 in April to 69·5 in December. In Canada, farm products at wholesale moved up from a low of 43·0 in February, 1933, to 53·8 in November, and were 53·3 in December, which compares with a movement in the general index from 63·6 in February to 69·0 in December.

TRADE BARRIER TENDENCIES.—There would appear to be no immediate prospect of any substantial reduction of trade barriers, although there may be a possibility of the conditions being established before long which should lead to the removal of certain types of trade restrictions. For example, a stabilization of the exchange values of currencies, a rise in the international price level, a readjustment of international indebtedness, or a combination of any of these factors should bring about the gradual removal of some of the most stringent barriers to trade, such as exchange restrictions, quotas and import boards.

The trade regulations which are likely to have the most permanent effect on the reduction of world trade are those resulting from the trend towards economic nationalism. In its relation to the trade in agricultural products the trend towards economic nationalism in Great Britain and Germany is of the most importance, on account of the position which these two countries have occupied as importers of food-stuffs.

In Great Britain the movement is now under way to supply a greater proportion of British food requirements by home production. The schemes introduced under the Agricultural Marketing Acts are leading to increased domestic production of certain commodities and, as a corollary, the reduction of imports. The Government has authority to regulate the imports of any product for which a marketing scheme has been introduced. The position of Empire suppliers is regulated by the Ottawa Agreements, which give Empire producers certain advantages over foreign suppliers. Canada, for instance, has an opportunity of further expanding bacon shipments, and the Ottawa Agreements also provide for the regulation of meat supplies so as to give the southern Dominions a larger share of imports into the United Kingdom. In certain cases, however, restriction of imports from foreign countries would not benefit United Kingdom producers if Empire countries were to increase their shipments to take the place of the reduced supplies from foreign countries. In such cases efforts may be made to avoid an undue expansion of Empire supplies. There is also the case of a commodity such as cheese, which is chiefly supplied from Empire sources. Conversations have already taken place between representatives of the United Kingdom and New Zealand with a view to a voluntary reduction in the quantity of New Zealand cheese shipped to the British market.

In Germany the efforts to become entirely self-sufficient in regard to food products have been continued, but the creation of barriers against imports for this purpose would appear to have been completed. Protectionist tendencies became pronounced in 1929 with respect to wheat and were subsequently applied to feeding grains. This necessarily led to regulation of the imports of animal products and to tariff increases. The final step in the complete regu-

lation of imports of food products which can be produced at home has been the creation of boards to regulate imports of fats and oils, butter, cheese and eggs. The move in Germany and in Great Britain towards the greater domestic production of food products is having repercussions on the economy of such countries as Denmark and Holland, which have been important suppliers of agricultural products to Great Britain and Germany. Both these countries may increase their production of wheat in order to adjust their trade balance, by reducing wheat imports to offset the falling off in exports of agricultural products.

Although the trend towards economic nationalism is likely to leave behind a permanent set-up different to that which prevailed before the economic depression, there are signs that some of the extreme evidences of economic nationalism may be relaxed. This is already apparent in the case of wheat, as confirmed by the International Wheat Agreement, and may later become evident in respect to other products, the restriction of imports of which, followed the regulation of wheat imports.

A favourable factor is that throughout the world there is a realization of the extent to which exports are being hampered by the increasing economic nationalism, and serious consideration is being given to the removal of trade barriers by means of bilateral agreements. Such reciprocal reduction of trade barriers on the part of any two countries, however, is only likely to come about when conditions have been established which will permit countries to relax their present trade restrictions. Of these necessary conditions monetary stability is probably the most important.

An unfavourable factor is the prevailing uncertainty arising out of the disturbed international political situation. This has been a significant consideration in the trend towards economic nationalism and self-sufficiency in food products. Those countries most affected by such prevailing uncertainty would be the least likely to agree to the removal of trade barriers through bilateral negotiations.

GRAINS

Four years of relatively low prices have not materially affected the total acreage sown to grain in Canada. There has been a noticeable shift from the production of barley, rye, flax and buckwheat to that of wheat, oats, and corn. Further, during the past five years, grain yields generally have been low and, with the exception of wheat, reserves of grains in Canada will be relatively small at the end of the present crop year.

Wheat

WORLD SITUATION.—The world wheat situation is still dominated by certain factors which became evident five years ago and by others which have arisen in the meantime. Fundamentally the wheat position which has existed during the past five years is due to two basic causes.

1. The general fall in the level of wholesale prices which naturally carried wheat prices downward.
2. The existence of an excess of supply over effective demand which, along with a maintenance of substantial world production, has resulted in the building up of abnormal stocks of wheat in exporting countries which in turn have reacted unfavourably upon wheat prices in world markets. The downward trend of wheat prices commenced in 1925.

In July, 1933, the four major exporting countries (Canada, Argentina, Australia and the United States) had combined carry-overs of over 700 million bushels, the largest year-end stocks on record. This position was the result of

many influences operative for varying lengths of time. One of the chief factors in building up these large surpluses has been the trend of wheat acreage in exporting and importing countries during and since the World War. Between 1914 and 1922, Canadian wheat acreage more than doubled, while that of the United States increased by 10 million acres; small increases were made in Argentina and Australia. The downward trend of acreage in Europe during the war was short-lived and, by 1922, Europe (excluding Russia) had regained over one-half of the acreage lost during the years from 1914 to 1919. From 1922 to 1928 European wheat acreage increased steadily and pre-war acreage was exceeded in 1927. The increase of 6 million acres in European wheat acreage (excluding Russia) between 1922 and 1928 was accompanied by a further increase of $6\frac{1}{2}$ million acres in Argentina, 5 million acres in Australia, $1\frac{3}{4}$ million acres in Canada and 3 million acres in the United States. The full effect of these increased acreages was apparent in 1928 when high yields per acre were harvested in Europe and exporting countries, and world production reached a record up to that time. In spite of an exceptionally large trade in wheat in 1928-29, a considerable amount was carried over into 1929-30, both in Europe and in exporting countries.

TRADE RESTRICTIONS.—With the sharp decline in wheat prices in 1929 and subsequent years, importing countries commenced to take action to protect domestic price levels by sharply increasing import duties, establishing milling quotas and other forms of control, an effort which, when generally applied, tended to reduce world trade in wheat and to make it increasingly difficult to reduce surplus stocks in the ensuing years. At the same time restrictions on importations and maintenance of price levels in the large importing countries tended to further increase wheat acreage. Since 1929 Europe has added over 6 million acres to its wheat area, improved farming technique has increased yields per acre, and Russia has reappeared as an exporter. At the present time there is not a wheat importing country in Europe which does not directly or indirectly control importation. These control measures have been developed over a period of years, and only a gradual relaxation can reasonably be expected.

The wheat situation during the present crop year is characterized by an unusually small demand for wheat as a result of a record European crop in 1933. World import requirements are estimated at 560 million bushels, and it is estimated that Europe will take about 400 million bushels during the present crop year. On this basis European requirements will be approximately 120 million bushels less than the average imports during the five years prior to the World War, and 226 million bushels less than average imports from 1923-24 to 1927-28. Abnormally large carry-overs in exporting countries at the end of July 1933 assured importing countries of an adequate supply during the present crop year, and consequently small crops in Canada, United States and Australia did not cause anxiety as far as the general supply situation for 1933-34 was concerned.

CANADIAN PRODUCTION.—In 1933 Canada experienced its fifth successive below-average yield per acre, the season being one of the most unfavourable on record. Production in 1933 is estimated at 269.7 million bushels, which, with a carry-over of 211.7 million bushels on July 31, 1933, made total available supplies of 481.4 million bushels for the present crop year. Domestic requirements will amount to about 118 million bushels, leaving a balance of 363.4 million bushels available for export and carry-over. The Wheat Agreement provides for an export quota of 200 million bushels for Canada during 1933-34. When the full amount of this quota is exported, Canada will have a carry-over on July 31, 1934 of about 164 million bushels, the equivalent of probable domestic consumption during 1934-35, and a normal carry-over on July 31, 1935. This means that every bushel of wheat produced in Canada in 1934 will be available for the world market.

As long as a wheat surplus persists in Canada, farmers should consider the possibilities of marketing lower grades of wheat through the medium of live stock. Widespread drought during recent years has indicated the advantage of maintaining a reserve of feed grains and fodder on the farm. In view of an existing surplus of wheat a portion of the land normally sown to wheat might advantageously be used in the production of needed and reserve feed supplies, where conditions are suitable.

Several factors are apparent at the present time which may affect the prospective yield in 1934. Drought over wide areas during the past five years has reduced reserve moisture, and favourable conditions will have to be experienced throughout the growing season to offset the effects of climate during the preceding seasons. Due to the emphasis being laid upon early seeding and the ploughing of stubble land before seeding, for purposes of insect control, some consequent reduction in acreage may be expected in the Prairie Provinces. A slight reduction in average yield may be expected over large areas where grasshoppers and pale western cutworms will be present in outbreak numbers.

Oats

The oat crop of Canada is largely consumed in the domestic market. During the past ten years only 4.5 per cent of the total annual production of oats has been exported as grain and 94.5 per cent has been consumed or retained in Canada. Of the oats produced in Canada, approximately 7 per cent is used industrially by the milling industry, while the bulk of the crop is utilized on farms for feeding purposes.

Both production and consumption of oats have followed a downward trend since 1920. This decline is due to a reduction in area by 3 million acres between 1920 and 1929 and relatively low yields per acre from 1929 to 1933. In general, the utilization of oats depends upon the volume of production, indicating that farmers relate the feeding of oats to farm production. The mechanization of farming between 1925 and 1930 tended to reduce the demand for oats, in so far as horses were displaced or pastured. Greater use of horse-power in the past three years has resulted in an improved demand for oats. For the second successive year oat acreage increased in 1933 and was the largest since 1924.

On July 31, 1933, there was a carry-over in Canada of 42 million bushels of oats, of which 28 millions were held by farmers. Production in 1933 amounted to 307.5 million bushels making total available supplies of 349.5 millions, which is somewhat lower than normal domestic requirements. It is likely, therefore, that supplies of oats will be fairly low at the end of the present crop year. In particular farm reserves of this feed grain will be lower than for some years past. There are reasons at the moment, for believing that, the domestic demand for oats is increasing. The continuance of this demand will depend, in part, upon the relative cost of tractor and horse-power. In view of the fact that reserves will be relatively low, it would appear that a considerably larger production than has been harvested during the past year could be utilized in Canada. A series of short crops has indicated the necessity of farmers carrying larger reserves of feed grains on farms, and in the process of building up such reserves, oat production should receive consideration.

The world market offers an outlet for a limited volume of Canadian oats. World import requirements amount to about 90 million bushels per year (the equivalent of less than one-quarter of average Canadian production). This demand is largely in Europe and in recent years European exporters have been able to supply about half of European requirements, leaving a market for about 45 million bushels of oats to be supplied by non-European exporting countries. A share of this trade can normally be expected by Canada. In the past the

United Kingdom has imported from 25 to 30 million bushels. As a measure of assistance to domestic growers, the United Kingdom is now taking steps to reduce total imports, especially from non-Empire countries.

Barley

The area sown to barley in Canada in 1933 amounted to 3,658,000 acres and production amounted to 63,359,000 bushels. The average area sown to barley from 1928 to 1932 was 4,778,000 acres and average production for the same years was 104,404,000 bushels. The carry-over of barley on July 31, 1933, amounted to 11,338,000 bushels, which along with the new crop of 63,559,000 bushels made a total supply of 74,697,000 bushels, the smallest during the past decade.

Consumption of barley in Canada has averaged about 75 million bushels a year, having increased steadily from 1920 to 1930. A sharp reduction in acreage took place in 1931 and since that year the area has remained at slightly over $3\frac{1}{2}$ million acres. Reduced acreage and low yields have caused a sharp decline in production in the past two years when inward carry-overs and new crops have averaged 87 million bushels compared with 124 millions during the five-crop years from 1926-27 to 1930-31. As a result, consumption has declined during the past two-crop years and will probably be lower during 1933-34. The carry-over of barley on July 31, 1934, will be very small, a factor which producers should consider.

The milling industry provides a market for about 15 million bushels of barley in the manufacture of food products and feeds. The malting industry furnishes an outlet for a relatively small amount of high grade malting barley. This demand has increased steadily in recent years and in 1932, 5,441,000 bushels of barley were used by maltsters. To farmers who are prepared to produce barley of malting quality, a small but ready market exists in Canada. Any expansion in the production of malting barley must, however, be based upon the production of a high quality product. The chief outlet for Canadian barley is through the domestic feeding industry and many farmers who plan increased animal production in 1934 could use barley effectively. Acreage sown to barley in 1933 was somewhat lower than desirable. Canada has experienced difficulty in exporting barley during the past five years. The pressure of supplies from Russia and the Danubian countries has restricted the market for Canadian feeding barley. In the immediate future the Canadian producer must look largely to the domestic market and the feeding industry in particular.

Rye

Rye became of importance during the war and early post-war years when acreage increased from 111,280 acres in 1914 to 2,105,367 acres in 1922. In the next three years the area decreased to 642,976 acres. Between 1925 and 1930 the acreage again increased, amounting to 1,184,050 acres in 1930. In 1933 the area sown amounted to 583,100 acres or less than one-half of the acreage of 1930. Production in 1933 amounted to 4,327,000 bushels as compared with an average production of 12,811,340 bushels from 1928 to 1932. It is apparent from the foregoing figures that rye production in Canada has been erratic during the past twenty years and has experienced difficulty in finding its place in Canadian agriculture. The carry-over of rye on July 31, 1933, amounted to 5,814,727 bushels which along with the 1933 crop constituted total supplies of 10,141,727 bushels. With a somewhat improved export demand this year compared with last, stocks of rye in Canada will be relatively small next July.

As less than 2 million bushels of rye are used industrially in Canada, and as rye is not used to any great extent as a feed grain, the expansion of rye cultivation depends upon the development of export markets. World import

demand ranges from 50 to 80 million bushels per year and in recent years the demand has been satisfied largely by exporting countries in Europe. In view of the fact that in 1933 rye acreage was the lowest in sixteen years, and further, that reserves in Canada will be relatively low at the end of the present crop year, some increase in acreage as compared with last year appears to be justified.

Flaxseed

In 1933, flaxseed acreage and production dropped to the lowest levels in over twenty years, the area sown amounting to 243,600 acres and production to 632,000 bushels. During the five years from 1927 to 1931, the area averaged 490,000 acres and production averaged 3,618,000 bushels. The carry-over of flaxseed in Canada on July 31, 1933, amounted to 1,179,575 bushels, which with 1933 production made total available supplies of 1,811,575 bushels. Production in 1933 fell below the quantity usually required by the domestic linseed industry. During the five years from 1928 to 1932, the linseed industry used an average of 2,290,000 bushels, annual requirements ranging from 2,590,000 bushels in 1930 to 1,861,664 bushels in 1932. In addition, exports of flaxseed averaged slightly more than 1,000,000 bushels from 1928-29 to 1932-33.

The flaxseed situation is closely related to industrial activity in Canada and to the construction industry in particular. A revival of construction or the improvement of existing buildings throughout the country will greatly stimulate the demand for products derived from flaxseed. An appraisal of the flaxseed position indicates that acreage in 1933 was unduly restricted and that a moderate expansion in areas suitable to flaxseed production would be warranted. A marked improvement in flaxseed prices has taken place during the past year.

Corn

Insufficient corn is produced in Canada for domestic requirement, the production of corn during the past four cereal years amounting to only one-fifth to one-half of estimated consumption. As a result, annual importations are made from other countries, principally the United States, Argentina, and South Africa. Imports of corn vary considerably, in 1927-28, 15,078,855 bushels being imported, while in 1932-33 imports amounted to 7,533,426 bushels. Imports of corn into Canada are mainly for feed purposes although some corn is imported for processing and distilling.

The growing of field corn (for grain production) is practically confined to Ontario. During the five years from 1928 to 1932 the area sown to corn in Ontario averaged 123,000 acres and production averaged 4,907,400 bushels. In 1933, 136,000 acres were sown and production amounted to 5,054,000 bushels; drought reduced the yield per acre. The corn producer is chiefly interested in the production of feed grain, and therefore must be prepared to compete with other feed grains produced in Canada. In evaluating the corn position at the present time due consideration should be given to the cereal outlook generally.

Buckwheat

In 1933, a total of 398,300 acres were sown to buckwheat and production amounted to 8,483,000 bushels. Average acreage from 1926 to 1930 amounted to 487,400 acres and production averaged 10,609,000 bushels for the same period. Chiefly produced in Eastern Canada, buckwheat is largely utilized as a feed grain and for flour and can be grown on land that is not suitable for other grains. In recent years exports of buckwheat have been increasing, being shipped chiefly to Europe. During the five calendar years from 1926 to 1930 exports averaged 405,164 bushels, while in 1933 exports amounted to 770,723 bushels.

SEED GRAIN, CLOVER AND GRASS SEEDS

Seed Grain

The financial inability of farmers in the last four years to pay the usual prices for registered seed grain has resulted in reducing slightly the volume of production of registered seed particularly in the Prairie Provinces. Growers of registered seed grain have depended almost entirely on the domestic market. The production of seed grain in 1933 from registered and certified crops amounted to 104,800 bushels of wheat, 156,800 bushels of oats and 114,400 bushels of barley. These quantities are slightly below the average for the past five years.

The demand for registered seed grain may be expected to improve as farmers obtain money with which to buy. Most farmers require a renewal of their seed every few years so as to maintain production and most of them prefer registered grades for this purpose. Also that, in the occasional years of surplus production of registered seeds, this high grade seed grain is always marketable for other purposes. Ordinarily a premium over commercial grain prices ranging from 25 to 50 cents per bushel is paid for the registered seed.

Clover and Grass Seeds

The total annual production of clovers and grass seeds in Canada has remained about the same in recent years. Much less alsike and sweet clover is now being produced but this is offset by an increase in timothy and red clover. The production of alfalfa continues on a substantial scale. There was virtually no carry-over of seeds from the 1932 crop and prices paid growers for the 1933 crop are generally higher than in 1931 and 1932. Canadian production of timothy seed is less than one-half of domestic requirements, as indicated by importation statistics, while substantial export surpluses of alsike, sweet clover, and Canada blue grass are usually produced yearly.

RED CLOVER.—The red clover seed produced in Canada is sold largely in the domestic market, which in recent years has required annually about 3,800,000 pounds of seed. In occasional years, however, such as in 1933, there is an export surplus which has always found a ready and profitable market, mainly in the United Kingdom. As a rule, production is much less than domestic requirements due to the uncertainty of the crop in setting seed. The average annual Canadian production in the past five years is estimated at 3,500,000 pounds, consumption 3,800,000 pounds, imports 800,000 pounds and exports 500,000 pounds.

Red clover seed is now grown more generally in Canada than was the case a few years ago and this has changed to some extent the domestic marketing of the seed. British Columbia now produces almost sufficient for provincial requirements and production has become more general in Quebec and Eastern Ontario so that less seed than formerly is required from other sources in these parts of Canada. The average price received by growers for red clover seed in the last five years has been about 14 cents per pound, basis No. 1 grade. Owing to the great popularity of red clover, both at home and abroad and the usual insufficiency of Canadian production to meet domestic requirements, increased production of this seed is recommended.

ALSIKE.—Canada has a world wide reputation as a producer of alsike, Ontario seed having dominated world markets in quality and price for many years. More recently the imposition of high tariffs and trade restrictions have seriously curtailed the export trade. Then again, since the war competitive production in other countries, particularly in Central Europe and the United

States, has reduced the export demand. As a result there has been a sharp reduction in the volume of the Canadian crop in the last few years. A decade ago Canadian production amounted to some 10 million pounds annually as against a production of about 4 millions in 1933.

The total annual domestic consumption of alsike is estimated at 1,500,000 pounds so that any production over this amount requires to be exported. The average price received by Canadian growers for alsike in the last five years has been about 10 cents per pound basis No. 1 grade.

The export market for alsike has become decidedly critical as to the quality of the seed. The market now demands bright plump seed of at least 99 per cent purity. Lower qualities than this are generally not wanted, so that good quality seed of this description should be the aim of every Canadian grower. The profitable production of low-grade alsike seed for export is now an impossibility.

ALFALFA.—Most of the alfalfa seed grown in Canada is required for domestic consumption and usually the domestic demand absorbs the crop even in years of heavy production. The average annual production over the past five years has been about 2,500,000 pounds and the consumption approximately the same.

Growers generally have received from 12 to 15 cents per pound for the seed of the 1933 crop, basis No. 1 grade, as against an average of 14 cents per pound in the past five years.

Canadian alfalfa seed is highly appreciated also in the Northern United States due to its hardiness, but exports to that country have dwindled because of the import duty of 8 cents per pound which has been in effect since 1930. Having due regard to the great popularity of the alfalfa crop in Canada, and the possibilities of its further expansion as a forage crop, there would appear no immediate danger of an overproduction of the seed.

SWEET CLOVER.—Sweet clover seed yields so abundantly that a relatively small acreage produces sufficient seed for domestic requirements.

The estimated annual consumption of commercial sweet clover seed in Canada over the past five years was some 3 million pounds as against a production of about 4 millions. There is now practically no profitable export outlet for surplus production as there once was in the United States. Consequently this seed may easily be overproduced, as has been the case in recent years. As a result, prices have been disappointingly low, the average price to growers over the past five years being about 3 cents per pound basis No. 1 grade.

TIMOTHY.—Canada uses annually about 10 million pounds of timothy seed and until 1931 some 9 million pounds of this was imported from the United States. Domestic production since 1931 has been greatly stimulated by educational activities and the prospect of a large domestic market. As a result, production increased from less than a million pounds to some 5 million pounds in 1932, but declined to about 2,700,000 pounds in 1933 due to unfavourable weather conditions. Domestic production is still far short of consumption so that still further production of this seed may be encouraged. Timothy ordinarily yields from 200 to 300 pounds of seed per acre, and growers have received on an average about 6½ cents per pound for the seed basis No. 1 grade, over the past three years.

BROME, WESTERN RYE GRASS AND CRESTED WHEAT GRASS.—The commercial production and demand for brome, western rye and crested wheat grass seeds is practically limited to the Prairie Provinces. Brome grass is regarded as particularly valuable in those areas where rainfall is uncertain and the production of its seed has increased slightly in recent years. The growers in the Prairie Provinces produced some 900,000 pounds of this seed in 1933.

Western rye grass is losing popularity and is being replaced by other grasses which are more resistant to drought and freer from infestation of couch grass. The total production of this seed in 1933 in the Prairie Provinces was about 225,000 pounds compared with more than double that quantity a few years ago.

Crested wheat grass is of recent introduction and gives promise of greater use in the drier areas of Western Canada, so that increasing quantities of its seed may be required in the near future. Only some 3,000 pounds of commercial seed was produced in 1933.

OTHER GRASSES.—Increased production of Canada blue grass would not seem to be warranted under present market conditions. The marketing of this seed has depended mainly on exports to the United States where little Canadian seed has been in demand since 1930. There was a heavy carry-over of this seed from both the 1931 and 1932 crops. However, the failure of the 1933 crop has permitted the marketing of the accumulated surplus from the previous years.

The production of brown top bent grass seed in the Maritimes has declined in the last few years due to a lessened demand for turf grass seeds and increased competition with relatively cheap seed from other countries. Increased production would not seem to be warranted under present market conditions. Creeping bent on the other hand warrants a much increased production for the domestic market.

General Considerations

The marketing of seeds in general in the last three or four years has been attended by serious difficulties and comparatively low prices to growers, but has at least taught the value of producing a high grade product. No. 1 seed has almost always sold at a profitable price, while low grade seed has been unsaleable or sold at a loss to the grower. It should be the practice of every grower to save seed only from clean fields so that it may be cleaned to grade No. 1. Low grade seed is a menace to the reputation of Canada in the export markets and a drug in the domestic market.

LIVE STOCK

Beef Cattle

PRODUCTION.—The trend of beef cattle production in Canada has been upward. During the past three years there have been substantial increases in the Prairie Provinces, which represent areas of comparatively heavy production; some increase in British Columbia; a more or less unchanged condition in Ontario, also a major producing area; some decrease in Quebec; and some increase in the Maritimes.

Increased production in the Prairie Provinces was reflected, toward the close of 1933, in heavier marketings. It was less substantial than would have been the case had prices not ruled at levels so unsatisfactory as to result in the holding back of a considerable volume of cattle. Feed shortage may cause some further liquidation, but the bulk of the held-over cattle will likely be marketed off grass in 1934. In the range areas, some operators who are on a "cow-and-calf basis" were unable to find an outlet for their calves. Older range cattle, particularly two-year-olds, have been held back to some extent.

MARKETINGS.—Official reports indicate that for the eleven months ended November, 1933, Alberta marketed approximately 20,000 more beef cattle than in 1932, Saskatchewan 12,000 more, and Manitoba 19,000 more. These statistics, however, do not include all packing house slaughterings, and no doubt the actual increase in marketings much exceeded the above amounts. Inspected slaughterings of cattle in the three Prairie Provinces and British Columbia combined

increased by 55,000 head over 1932. During the year, in these provinces shipments to Eastern Canada for slaughter increased by 11,625 head. The shipments of feeder cattle from central markets to points within the Western Provinces amounting to 28,771 head, were, however, 9 per cent less than those during the same period last year, and represented the smallest movement in the past five years.

Supplies at western stock yards showed increases early in 1934, and the tendency is for larger movements than for the corresponding period of 1933, but conditions promise a smaller output of grain-finished stock than in 1933. Discouraging markets in the fall of 1933 and crop failures were the factors responsible for a reduction in winter finishing. Due to the severity of the winter, there has been a heavy encroachment on farm supplies of feed and roughage, and some ranchers have had poor winter pastures and little hay on hand.

Some improvement in price has occurred, and this tends to draw out the cattle, although few finished animals have so far reached the market. Reports indicate, however, that should prices improve further, as is expected, the movement of fed cattle may start earlier than usual. An earlier than usual general movement is not warranted by the condition of the cattle, and would result in a large number of partly finished cattle being sacrificed.

Inspected slaughterings in Ontario during 1933 showed an increase of 36,000 over 1932, and those in Quebec an increase of approximately 8,000. These slaughterings include a considerable number of cattle shipped in from other provinces. During the first eleven months of the year, marketings of Ontario cattle exceeded those of the previous year by 28,000 head, and marketings of Quebec cattle exceeded those of the previous year by 4,000 head. In addition, there was undoubtedly some increase in local marketings and farm slaughter.

These facts indicate that Ontario has drawn fairly heavily on her cattle holdings. At the same time, there has been no inclination to make good the deficit through increased purchases of western feeder and stocker cattle. During the four months, August to November, representing the winter cattle purchase period, Ontario bought in 40 per cent less store cattle than during the same period of the previous year. A larger than usual percentage of the purchases consisted of light cattle, an indication that the intention of the producers as a whole was not to finish cattle on grain for spring delivery. Thus the output of grain-fed cattle during 1934 would appear likely to be smaller than during 1933, and from information received, the reduction will likely be from 15 to 20 per cent.

Quebec depends upon Ontario and the Western Provinces for a large percentage of its requirements for beef. Cattle production in the province has tended to decrease. Very few cattle are being fed on grain, most of the stock, apart from dairy herds, is comparatively young and likely to be finished on grass. The production of milk is more important in the province of Quebec than the production of beef. The province has a rather moderate feed supply, and the situation has been aggravated by the fact that the freeze-up came very early, and the continued cold weather has resulted in a heavy drain on supplies.

The Maritimes are in a more favourable position in regard to feed supply than other parts of the Dominion. The beef cattle outlet is confined largely to local channels, but any improvement in the general situation would reflect favourably on prices in these provinces.

PRICES.—Cattle prices reached record low points in 1933. The average price of all cattle at the Union Stock Yards, Toronto, during November was \$2.95 per hundredweight, and the average price of all cattle at Winnipeg in October \$1.65 per hundredweight, these representing the lowest monthly averages of the year. While prices of the best qualities of cattle fluctuated within narrow limits, prices were mostly unsatisfactory. Considerable recovery has since

taken place, noticeably on the better grades which are scarce, and in demand for the export market and branded beef sales. The course of prices is being set by the British market, representing the chief export outlet for beef cattle, and where there has recently been a tendency toward price improvement.

EXPORT MARKET.—The British Ministry of Agriculture has recently taken definite steps to reduce available supplies of beef in the United Kingdom by restriction of imports of chilled and frozen beef and of live cattle. Canada and the Irish Free State are the sole outside sources of live cattle supply. This action is of tremendous interest, in view of the fact that in Canada there is annually a surplus for export, and no other market of any magnitude. The ultimate object of the restriction is to secure better prices for British cattle producers. In effect, it should also mean more satisfactory prices for Canadian exports. This move indicates very clearly, however, that in the United Kingdom the policy is to place all imports of meats, irrespective of origin, on a quota basis.

Imports from Ireland into the United Kingdom have, under order, been restricted to the extent of 50 per cent of the number of fat cattle imported in the corresponding periods of 1932 and 1933. Irish store cattle are under a standstill order or at a volume no greater than during the corresponding period above mentioned. Canada has been requested to co-operate by stabilizing her exports of cattle, both fat and store, for the first quarter of 1934, at the corresponding figures for the first quarter of 1933. A modification of this has since been made to extend the stabilization to June 30, 1934. Imports of chilled and frozen beef are also subject to restriction. In so far as Canada is concerned, this action may result in some decrease in the movement which might otherwise have resulted, but the agreement to co-operate should place Canada in a favourable position in respect to future shipments. Undoubtedly, a substantial movement of cattle to the United Kingdom during the present year is necessary to maintain reasonably good prices in the domestic market, particularly of grain-fed cattle during the spring period. It is felt that the interests of both countries will best be served by Canada observing the strictest precautions in respect to the selection of stock for export.

DOMESTIC MARKET.—The domestic market promises stronger support to the industry than obtained in 1933. Beef consumption per capita declined from 66.57 pounds in 1929 to 56.02 pounds in 1932. By 1931, meats, except beef, were dropping heavily in price. The natural tendency of the public was to lessen consumption of beef and replace it by cheaper meats. Beef has recently been at price levels relatively lower than those for other meats and meat substitutes. The amount of beef in store in Canada on January 1, 1934, showed an increase of 78.6 per cent over the same date of 1933. This indicated a congestion of supplies and explains the dullness existing in the market immediately after New Year's. Subsequent cold weather was responsible for reducing the amounts in store, and reawakening interest in live cattle.

Sheep and Wool

Sheep production has fluctuated within narrow limits during the past five years. Decreases have occurred in some provinces, while in others the number of sheep has increased. During 1932-33 there was a decline of 7 per cent for the Dominion as a whole. There is a distinct tendency toward mixed farming in many parts of Western Canada, in an endeavour to increase farm revenue. The supply of aged range ewes, which are available from last year at very moderate prices, makes it possible for the western farmer to begin sheep raising with a very small cash outlay, and many are taking advantage of the opportunity.

In Eastern Canada there is a tendency towards more diversification in live stock production. The farm sheep flock has proved profitable. Many farms are gradually substituting wire fences for rail fences, and with little added expense it has been possible to provide adequate facilities for holding sheep. Many farmers who some time ago went out of sheep on account of poor fence protection are now in a position to go into sheep raising again at a moderate cost. Provincial dog laws have been a factor in adding security to sheep raising. In general, farmers, both in Eastern and Western Canada, are becoming more interested in sheep, and there are many inquiries for ewes to be secured on an agreement-profit-sharing basis. New flocks established from year to year are of superior quality to those established some years ago. The industry is little influenced at the moment by world production, which has remained relatively high.

MARKETINGS.—The total sheep and lambs slaughtered at inspected packing plants amounted to 868,679 head, or just about 80,000 head more than for 1932, and all provinces contributed to the increase. It is probable that on account of lamb being relatively higher in price than beef, local killings of lamb were somewhat less than a year ago. This would tend to increase shipments for slaughter. Lamb marketings indicate a steady growth in the production of earlier and better finished lambs, and as a result, there has been a wider distribution of marketings than for any previous year. This development has had a steady-effect on prices and has also been a stimulating factor in consumption.

In October and November, 1933, packer demand for fat lambs to put in store exceeded the supply. This accounted for the strong position of the market at the close of the season. Store supplies in packers' coolers on February 1 were below the five-year average at February 1, 1930-1934, and retail demand is in excess of previous years. The volume of feed-lot lambs is somewhat below that of a year ago. This is due in part to the fact that all lambs with reasonable finish, were bought for slaughter. Range lambs put into the feed-lots have done exceptionally well. The majority of these range lambs were small and light in weight, and they have to be grown as well as fattened and will require the full-time feeding period to reach good market weights with desirable finish. The bulk of the feed-lot lambs may reach the market in February and March and by that time the supply of grass store lambs will be sharply diminishing in volume, so that the demand should be good.

WOOL.—The 1933 season's wool clip, including pulled wool from lamb pelts, has been well absorbed by the trade. One of the most encouraging factors in so far as Canadian wools are concerned, is the increasing use of our wools by Canadian manufacturers. Well graded wools, whether co-operatively consigned for official grading from producers' shipments or whether graded by wool brokers, are in steady demand for immediate mill requirements. There are still some lots of wool in farmers' hands, having been held over from low-price years. These will likely be marketed in 1934 if present prices are maintained. In addition, depression conditions have increased home spinning and weaving, as well as other textile handicrafts, relieving the Canadian market of from five to six million pounds of wool per annum.

Wool prices are an important factor in maintaining lamb prices. Lamb pelts are now in the dollar range of values, and this is an important item in reducing wholesale carcass costs. Already, as a result of more encouraging lamb and wool prices, there are many inquiries for breeding ewes. It is to be expected that there will be a broad market for all classes of ewe stock in 1934. The strong demand for wools on British, Australian and New Zealand markets indicates a very healthy condition, in so far as the outlook for 1934 is concerned. World production is estimated to be lower, and the wool market for 1934 is encouraging.

Hogs

TREND OF PRODUCTION.—Available statistics indicate some decrease in hog production during 1933, but the numbers of hogs marketed at public stockyards and packing plants somewhat exceeded those of the previous year. The explanation is not that the swine population figures were too low but that producers shipped out a larger percentage of their production during 1933 than during 1932. In 1932, prices for hogs reached such low levels at times that they were below the point where they could support transportation and marketing costs. As a consequence, the percentage of hogs farm-killed and locally slaughtered showed a very marked increase. During 1933, hog prices made steady and substantial advances, and prices were such as to make marketing more profitable. Under these conditions farm-killed and locally slaughtered stock showed a rapid decrease and thus a larger volume of hogs was released for the central markets and packing plants than otherwise would have been the case.

Unfortunately, for a short period during the autumn breeding season of 1933, hog prices experienced a sharp decline, and to some extent this destroyed producers' confidence in the market and resulted in some check to breeding. Following the autumn break, prices again moved very strongly upward, with the result that interest in hogs was revived and considerable late breeding effected. An indication of continued interest in hogs is the fact that demand for suitable brood sows and feeders at public stockyards continues to be above supply.

A review of conditions governing breeding, feeding and marketing during recent months indicates that in the western provinces as a whole there may be some decline in output during the early part of the year, followed later by a fairly steady increase in movement to yards and packing plants. Price is a tremendous factor in the situation. The strong and advancing price position of hogs during the early weeks of the present year, and growing confidence in the British Bacon Marketing Scheme is no doubt resulting in the finishing of every available pig, the shipping of fewer sows to market, and a high percentage of the total for slaughter coming out to stockyards and packing plants. The Province of Ontario seems to promise a moderate output during the early part of the year, perhaps below the same period of last year, and an increased volume later on. Conditions in the province of Quebec indicate that marketings during the next six months will be short, but later a substantial increase should develop and largely overcome the deficit earlier in the year. No very marked changes are expected in other feeding areas affecting the surplus for export.

While a tendency to progressive decrease in hog production has developed in Ontario since 1929, at least the rate of decrease was somewhat arrested in 1933. No doubt this decrease has in some measure been due to the increase in recent years in the production of fluid milk in the East. The steady decline in eastern production might further be checked by developing facilities for bringing in western grains to eastern provinces at more attractive prices than is generally the rule. During the past year two successive reductions in railway freight rates east of Fort William were made, but there is also a problem centering around economy of purchase. Organized buying of feed in large quantities as against hand-to-mouth buying, has very obvious advantages and is something which the producers in the East may well consider. However, there is a very serious lack of cash and credit, and this is no doubt proving to be an obstacle of importance.

PRICES.—Prices at the present time are quite favourable, and there is a possibility that there may be an occasional heavy movement of hogs to market as a result of the recent sharp upturn, but over a six months' period only a moderate volume is anticipated. The direction of prices during the remainder of the year will depend largely upon the success of the United Kingdom bacon and pig marketing schemes in holding prices at levels profitable to United Kingdom hog

producers and a continued highly favourable sterling exchange rate. Recently, British bacon made a price of one hundred and two shillings per long hundred-weight, which is the highest figure reached by that commodity since the summer of 1931. Under the influence of this improvement, Canadian prices also showed an appreciable upturn. In so far as can be ascertained at this time, there is no evidence to indicate any material decline in United Kingdom prices. All foreign countries supplying bacon to the British market are now under definite quotas. Canada has expectations, based on very sound premises, of increasing materially her sales of pig products to the United Kingdom during the present year. Obviously then, the present very favourable outlook for marketing is developing a very keen interest in hogs as a profitable outlet for feed grain and should the present strength be maintained during the spring breeding season, there should be a very insistent demand for breeding stock as well as a marked increase in demand for coarse grain.

Exports of bacon to Great Britain during 1933 reached a total of approximately seventy-three million pounds, representing a very marked increase over the exports and pack of the previous year. Every effort is being made to improve the quality and pack of the Canadian product so as to further interest the British consumer.

CONSUMPTION.—The consumption of pig products in Canada during 1932 reached the highest point in the history of the industry, at 91·7 pounds per capita. This increase was due to the low price of bacon as a result of bargain prices for pigs. The export trade was just getting under way in 1932, the domestic market was over-supplied, and farm and local slaughterings were reaching an abnormal volume. On the first of January 1934, the amount of pork in store, fresh and fresh frozen collectively, showed a decrease of fifty per cent as compared with the volume in store on the corresponding date of the previous year. There was also a two per cent decline in pork cured or in cure.

SUMMARY.—Briefly summarizing the situation, it would appear that the hog outlook is favourable to the producer. While it is likely that there will be some temporary price declines during the present year, the trend is upward. Market supply prospects are for a moderate volume during the first half of the year, followed by a fairly substantial increase. At market prices such as ruled during the early part of the year, there should be greater interest in the purchasing of feed grains and a falling off in the number of unfinished pigs offered. Prospects for export appear to be satisfactory, and the restrictions existing on exports from foreign countries selling to the British market are working quite favourably toward stabilization of prices. Despite the present favourable export outlook, improvement in breeding, feeding, selection and pack so as to secure a large percentage top grades of bacon is much more desirable than a marked increase in general production.

It is quite safe to forecast a substantial improvement in the quality of the 1934 production, as a result of improvement in type of sow and sire used as foundation stock, and of better feeding practices than in any previous period in the history of the industry in Canada. This is highly favourable to Canadian export prospects.

Horses

Coincident with the rapid increase in gasoline power on farms, particularly in the Prairie Provinces, there was, up to 1932, a decided decline in the breeding of heavy horses for farm work. Since that time, low prices for farm commodities, and recognition of the economy of the horse as a source of farm power, have stimulated the market for farm horses.

There is to-day a very marked scarcity of big, sound, work horses, and owing to the slackening off in breeding, and the natural mortality in aged horses,

the scarcity is bound to be acute during the next two years. From a breeding standpoint, the industry is suffering greatly from a lack of high quality stallions of the draught breeds. Statistical returns indicate a decrease of stallions amounting to 8,000 head between the years 1930 and 1932, a situation which does not lend itself to a rapid increase in the horse population. At the same time, there are some very healthy developments. Stallion owners report that the breeding season of 1933 was the most satisfactory experienced for some years, sires being used to an increased extent. The prospect for 1934 is considered to be even more favourable.

During 1933 domestic demand improved and Eastern Canada drew upon the West for about 1,600 more horses than in the previous year. Greater activity was apparent among the breeders of pure-bred draught horses, and the number of registrations of pure-bred Clydesdales, Percherons and Belgians was almost double that of 1932, being 1,913 in 1933 and 1,017 in 1932. With the depletion of grade farm horses, a greater demand is developing for young pure-bred stock as foundation breeding animals. A considerable demand from the United States has obtained during the past few months for big, "harnessy" geldings to be used for advertising purposes by brewery companies, and a good many high class Canadian geldings have been sold at comparatively high prices to meet that market.

With the Dominion-wide interest in the use of horses as a factor in successful agriculture in Canada, there is greater activity among farmers and breeders in the production of more and better horses for both work and breeding purposes. With a keener demand and better prices ruling in the market, there is bound to be a general forward movement in the industry.

Poultry and Eggs

PRODUCTION.—The number of hens and chickens on farms in Canada in June, 1933, was 54,943,400, a decrease of 8.2 per cent as compared with the same date in 1932 and 4.6 per cent less than the average for the five years 1928-32. The decrease in 1933 was common to all provinces except Ontario, where a slight increase in numbers occurred. Turkeys, geese, and ducks, on the other hand, increased slightly in 1933, the greater part of the increase being in the Prairie Provinces.

The number of egg-producing hens on farms in 1932 was estimated at 24,806,600, a decrease of some 2.4 per cent over the previous year and some 8.8 per cent less than the average of the last five years. This decrease in the number of laying hens was more than compensated for by an increased production per hen during the last two years, probably due to the use of better foundation stock and better feeding practices, so that the total egg production of 1932, amounting to about 229,461,000 dozens, was slightly higher than the five-year average although somewhat lower than that of the previous year. The information available for 1933 indicates that there was no great decrease in production during the past year as compared to 1932. Due to the fact that commercial chick sales were particularly high in the latter part of the 1933 hatching season, and to severe winter weather conditions, a large proportion of the young laying stock was underdeveloped and will not come into production as early as usual. A falling off in egg production for the first few months of 1934 is therefore to be expected.

The most important single factor affecting poultry production for the ensuing year will probably be the price of feeds relative to that of poultry and eggs. Any decrease in the cost of feed in relation to the price of poultry and eggs is likely to be followed by an increased production.

STORAGE HOLDINGS.—Storage holdings of dressed poultry on January 1, 1934, amounted to 11,649,762 pounds, some 40 per cent greater than at the same date of the previous year and about 15 per cent greater than the five-year average. The greater part of this increase was due to the increased holdings of chickens, fowls, and turkeys over those on the same date of the year previous. In the case of chickens the increase amounted to 65 per cent, of fowls 140 per cent, and of turkeys 47 per cent.

On January 1, 1934, holdings of shell eggs amounted to 1,443,632 dozens. This was a decrease of 6 per cent as compared with the same date of the previous year. Frozen eggs held in storage were also considerably lower in quantity than on January 1, 1933. While stocks in storage at the close of the season of heavy production in 1933 were appreciably heavier than during the previous year, there was a good movement out of storage for domestic consumption as well as a material increase in exports. As a result storage stocks were moved out much earlier and much more rapidly during 1933 than during the previous year. This fact, which seems attributable in part to the revival in consumer demand, provides one of the brightest spots in the outlook for the poultry industry in the immediate future.

PRICES.—Prices of dressed poultry in 1933, while admittedly low, were at least as good as in 1932. Turkey prices were about the same as during the previous year, while the market for chickens was slightly better by one or two cents per pound. It would seem that the downward trend of poultry prices has been checked and that, unless an abnormal increase in production occurs, 1933 prices should at least be maintained during the ensuing year. It is noteworthy that in spite of the heavier stocks of poultry in storage on January 1, 1934, the market is maintaining a very firm position.

On the whole the egg market during 1933 was on a level with that of 1932, although during some periods, particularly in the late winter months, prices were higher. The egg market situation at the present time appears to indicate that the downward trend of prices has been definitely checked and there is every indication that prices during 1934 will be at least as good as in 1933. In this connection it may be noted that at the beginning of the year prices were considerably higher than for the same period in 1933, although this, of course, is not a definite guide to the price level during the season of flush production.

DOMESTIC CONSUMPTION.—The demand for poultry and eggs in Canada during the past five years has been maintained relatively well. The total consumption of poultry for 1932 was 112,241,206 pounds, the per capita consumption being about 10·7 pounds, of which 7·7 pounds were hens and chickens. Egg consumption amounted to 28·36 dozens per capita. Compared with some other countries the per capita consumption of poultry in Canada is relatively low, that in the United States, for example, being about 18 pounds. Canada, however, is the highest per capita consumer of eggs.

EXPORTS AND IMPORTS.—Exports of poultry and eggs have increased appreciably in the last few years, while imports of both shell and processed eggs have decreased materially. Exports of poultry for 1933 were most encouraging, while exports of eggs amounted to 1,988,146 dozens as compared with 272,818 dozens for the previous year. On the other hand imports of shell eggs in 1933 amounted to 24,753 dozens. With the attention that has been given to the grading of dressed poultry and eggs during the past few years it seems more than likely that the Canadian export trade will continue to increase.

DAIRY PRODUCTS

Total milk production in Canada for 1933 was approximately the same as for 1932 which was estimated at 15,917,868,000 pounds. This figure was only slightly higher than that of 1931, but there was an increase of 4.27 per cent between 1931 and 1930. In 1933 a total of 3,753,400 milch cows were reported in Canada, an increase of 27,900 over 1932. An increase has taken place in every province with the exception of Alberta and British Columbia. The number in 1933 was 1.9 per cent greater than the 1928-32 average, and on this basis of comparison the Prairie Provinces had 158,237 or 14.5 per cent more milch cows, while Ontario, Quebec and the Maritime Provinces showed a total decrease of 2.7 per cent. Numbers of milch cows in British Columbia also decreased. It is probable that the large increase in the Prairie Provinces is due to a greater number of cows of the beef breeds being milked. Relatively lower returns from beef production together with crop failures and low grain prices have caused farmers in the West to produce more milk wherever possible. The present increase will likely be maintained until the return of favourable prices for grain and beef. In the past year or two the number of dairy heifers has been increasing throughout Canada, the figures for 1933 showing an increase of 5.8 per cent over those for 1932. The western provinces again showed a large increase of 13.8 per cent, the Maritimes one of 6.2 per cent, and Ontario 3 per cent, while in Quebec there was a decrease of 1.2 per cent. The increase in dairy cow and dairy heifer population in the western provinces points to a continuation in 1934 of the level of dairy production reached in 1933, providing that the range in relative prices between dairy products, grain and beef remains the same.

The Domestic Market

BUTTER.—The production of creamery butter for 1933 was 215,917,334 pounds, an increase of almost 2 million pounds or 0.89 per cent as compared with 1932. Production in the four western provinces, which represents approximately 31.3 per cent of the total, showed an increase of 6.8 per cent, while that of the eastern provinces decreased 1.58 per cent. The exceptions in each group were British Columbia with a decreased production of 2.9 per cent, and Ontario with an increase of 0.9 per cent. In 1933 production was 6.6 per cent above the five year average 1929-33. In Eastern Canada production in 1933 was 4.2 per cent more than the five year average while in Western Canada it was 12.4 per cent greater. During the early part of 1933 output showed a tendency to lag as compared with the corresponding period of 1932, but as the season advanced production increased and exceeded the same months of 1932 until October and November when decreased production again occurred.

Butter imports during 1933 were 1,377,137 pounds as compared with 238,145 pounds in 1932 and 2,821,317 pounds in 1931. In comparison with previous years these quantities are relatively small.

The average price of butter at Montreal has been somewhat higher than during 1932. In the summer months when production was greatest, prices at Montreal were considerably above an export basis. During the month of May, the average price in Montreal was about 5½ cents above the export price. As the season advanced the margin between the domestic and export prices narrowed until, in August, Montreal prices were only 1½ cents higher than export prices. It is estimated that Canadian producers supplying milk for the manufacture of creamery butter received over \$4,000,000 more during the months of May to August, inclusive, than they would have received had there been an export movement of butter to the United Kingdom during that period. Throughout September and early October prices on the United Kingdom markets were

higher than domestic prices, making it profitable to export butter, and it was during this period that most of the butter was shipped overseas. Towards the latter part of October, domestic prices were again higher than export prices, and have gradually advanced since that date. Canada's butter market is in a favourable position when one considers that on January 2, 1934, the wholesale jobbing price of No. 1 pasteurized butter at Montreal was quoted at $25\frac{1}{4}$ to $25\frac{1}{2}$ cents per pound as compared with $18\frac{3}{4}$ cents in New York and $14\frac{1}{2}$ cents in London for butter of similar quality. It should be remembered, however, that this ratio of prices between the above mentioned markets is for a specific date only, and may be changed by normal seasonal fluctuations in price and other factors.

Butter prices throughout the past year have been influenced by the prevailing rates of exchange, by prices on the world's markets and by the quantities of butter in storage in Canada. At the beginning of 1933, storage stocks of butter were almost 4 million pounds less than at the same time in 1932, and due to this shortage of supplies, the price in April, 1933, advanced to 31 cents. With increased production during the summer months, the quantities of butter in storage in Canada at the beginning of each month exceeded storage stocks for the corresponding dates in 1932. On September 1, 1933, storage stocks of butter amounted to approximately 11 million pounds more than for the same date in 1932. The presence of such large stocks had a depressing effect on prices paid for cream, particularly in the Prairie Provinces. Reduced prices along with severe weather during the last three months of the year caused butter production to decrease considerably, necessitating the withdrawal of unusually large supplies from storage. Consequently, on January 1, 1934, stocks were approximately the same as on January 1, 1933.

Indications are that milk consumption will not show any appreciable change from that of 1932. Domestic consumption of creamery and dairy butter for 1932 was reported as 320,155,000 pounds, which is equal to a per capita consumption of 30.47 pounds. Calculations based on storage stocks as at January 1, and December 31, 1933, indicate that the consumption of creamery butter in Canada during 1933 will be approximately three-quarters of a million pounds more than in 1932.

CHEESE.—Final cheese production figures for 1933 are not yet available but, since approximately 93 per cent of the total production is graded, the number of boxes graded may be taken as an index of the volume of production. On this basis it is estimated that production for 1933 was approximately 110 million pounds as compared with 121,607,000 pounds during 1932. While production figures prior to 1915 are not available, except for the census years, yet the quantities exported each year and the probable domestic requirements would indicate that production in 1933 will be less than during any year since about 1890. Production in 1932 compared with that of the average for 1928-32 was 1.57 per cent lower. The output of cheese in Ontario and Quebec represents 96.5 per cent of the total production in the Dominion. Compared with the 1928-32 average, production in Ontario, Quebec and the Maritimes decreased 2.3 per cent in 1932. Production in Western Canada is small, but in 1932, showed an increase of 39.0 per cent. According to grading statistics there has been a decreased production in New Brunswick and Prince Edward Island during 1933. Storage stocks of cheese have been higher in every month throughout the year 1933 than for 1932, due largely to reduced volume of exports. On January 1, 1934, storage stocks of cheese were 2,585,553 pounds greater than on January 1, 1933. Based on the estimated cheese production calculated from grading statistics, total consumption of cheese was approximately the same in 1933 as in 1932. The per capita consumption, however, has shown slight yearly decreases from 1930 to 1932.

London quotations for Canadian cheese during the producing period, May to October, 1933, were lower than during the same months of 1932. Since cheese is on an export basis and since this period of 1933 was featured by a rise in sterling exchange, prices obtained in Montreal averaged 0.46 cent per pound higher in 1933 than in 1932.

Cheese imports into Canada during the past year were 967,613 pounds as compared with 1,166,506 pounds in 1932. These imports are made up largely of types and varieties that are not produced in Canada.

CONCENTRATED MILK PRODUCTS.—Production of concentrated milk products for 1933 was 84,928,470 pounds, an increase of approximately 1.5 per cent over 1932. This increase, however, was largely in production of the commodities of lower value. There was a decrease of 125,249 pounds in concentrated whole milk products. The production of condensed milk was about $4\frac{1}{2}$ million pounds lower, while that of evaporated milk increased by over 4 million pounds. Imports of concentrated milk products were not large for the year 1933, showing a moderate decrease from those of 1932. Exports of all concentrated milk products amounted to 27,700,600 pounds for 1933, as compared with 24,793,560 pounds in 1932, an increase of 3 million pounds.

The Export Situation

Dairy production in most foreign countries has shown an increase during the last few years, this trend being especially noticeable in New Zealand and Australia where both butter and cheese production has shown a marked expansion. Butter production in Denmark declined during 1933 but exports to the United Kingdom continued to increase because of the loss of continental markets due to trade barriers. The principal European countries, notably Germany, France and Italy, have stringently controlled the imports of dairy products during the past few years by tariffs, quotas, and other means. This has resulted in a steady increase in the quantities of butter and cheese exported to the United Kingdom. Production of all dairy products in the United States has shown a substantial increase during the past year as compared with 1932, and as a result storage stocks have been greatly in excess of those in previous years.

UNITED KINGDOM MARKET.—From 1923 to 1933 the imports of butter into the United Kingdom increased 73.3 per cent, from 570,697,232 pounds to 989,465,568 pounds. During this period imports from New Zealand increased by 122.1 per cent, while imports from Australia increased by 217.8 per cent. Total imports from Empire countries increased by 110.3 per cent, while non-Empire imports increased 45.4 per cent. Cheese imports have not shown as marked an increase in volume as have butter imports, but from 1923 to 1933 they rose from 317,917,252 pounds to 340,442,704 pounds or 7.0 per cent. Imports from New Zealand in 1933 were 230,652,016 pounds or 50.4 per cent greater than in 1923. Imports of Canadian cheese into the United Kingdom have decreased 37.2 per cent or from 112,180,544 pounds in 1923 to 70,528,080 pounds in 1933.

The large and increasing volume of butter and cheese imported into the United Kingdom has caused the British Government to enter into discussions with New Zealand and Australia with a view to the voluntary restriction of exports of these products to the United Kingdom. If any such agreements are concluded between the United Kingdom and New Zealand and Australia, Canada may be asked to take similar action. In this event, imports of dairy products from non-Empire countries probably would be subjected to greater restrictions than those voluntarily agreed to by the Dominions. Any restrictions of exports of cheese and butter from the Dominions must necessarily be of a voluntary nature since, under the agreements of the Imperial Economic Conference of 1932, dairy produce from the Dominion is allowed unrestricted entry into the United Kingdom until November 15, 1935.

Canadian Export Trade

Although the exports of Canadian dairy products are only a very small proportion of total production, the situation in the United Kingdom market in regard to imports of butter and cheese is of particular interest since that market constitutes the chief outlet for surplus Canadian dairy products, especially cheese. The trade in butter is very limited, though an increase has taken place over the past three years. Exports in 1933, the bulk of which was sent to the United Kingdom, amounted to 4,437,200 pounds as compared with 3,505,700 pounds in 1932. Exports of Canadian cheese to all countries for 1933 were 74,168,600 pounds, a decrease of 12,771,300 pounds from 1932. Exports of evaporated milk in 1933 increased by 5,147,900 pounds while condensed milk exports decreased by 3,081,600 pounds.

General Position

The available information on the dairy situation in Canada would indicate that total milk production during the present year will remain practically the same as in 1933. The numbers of milch cows and dairy heifers would indicate a slight increase but to offset this are the factors of depleted feed supplies and the possibilities of poor pastures in many parts of the country, resulting in a probable decrease in production per cow. Drought conditions and severe insect infestations over large areas of the Prairie Provinces, where much of the increase of dairy production took place during the past year, are also factors adverse to any decided increase in total production.

Domestic consumption of dairy products will likely be maintained and might be expected to show a slight increase if general economic conditions continue to improve during the coming months. The normal increase in population will also be a factor in maintaining consumption.

The possibility of restrictions on imports of dairy products into the United Kingdom would suggest that it would be advisable for Canadian producers to develop home consumption as much as possible. It would also seem to be an advantageous time to improve the average level of Canadian dairy herds by eliminating unprofitable cows, by using well bred sires, and only raising, for milk production heifers from the higher producing cows. The initiation of such a policy during the immediate future would relieve the market of a considerable quantity of milk that is being produced at a loss under the present level of prices for dairy products.

THE FEED SITUATION

Variations in climate, soil and type of farming warrant a discussion of the feed situation on a regional basis.

MARITIME PROVINCES.—In spite of a late cool spring and a dry midsummer, which reduced the yields of annual hays and pastures, the 1933 season proved to be very favourable for most crops. Timothy and clover hay crops were exceptionally productive in some areas but a little below average in others; oats and barley produced excellent yields of grain; warm weather favoured corn, and roots were better than average. The good showing made by grain crops was offset to some extent by bad weather at harvest, while a considerable acreage of field roots was caught by fall frosts. Loss in feeding value of coarse grains probably would not exceed five per cent, but in the case of swedes the loss may reach ten per cent or more. No carry-over of forage or coarse grains is anticipated for 1933-34, except perhaps in the case of hay, but this will be small and less than in the previous year. The early onset of winter will tend to reduce feed supplies to a minimum, while an exceptionally early spring might leave a small surplus in some favoured localities.

Bad weather in the fall of 1933 greatly restricted the amount of fall ploughing. Unless the spring opens early with favourable weather which will permit of preparation for spring grains, the tendency will be to leave down a greater than average acreage for hay and pasture. While there is little ready cash for the purchase of fertilizer, the amount used for pasture improvement is on the increase.

There is a decided tendency throughout the Maritimes toward the replacement of commercial feeds by home-grown grain. The chief contributing factors are lack of funds with which to purchase feeds and the low prices which farmers have received for live stock and live stock products. A continuation of these low prices is likely to develop further interest in the production of home-grown feeds.

QUEBEC.—In the province as a whole both pasture and hay crops were considerably less than average, a conservative estimate for both being 30 per cent below normal. This was due chiefly to the severe weather of the previous winter which killed much of the clover, and also to the very dry summer weather which followed. Owing to the fact that snow came early and winter weather was experienced throughout November, cattle had to be stabled in October, whereas they usually remain on pasture until about the middle of November. It is altogether likely, therefore, that supplies of hay, fodder and coarse grains will be completely used up before next spring. Lack of funds and low prices for live stock and live stock products have tended greatly to the use of home-grown in place of commercial feeds. Conditions were more favourable in the Eastern Townships, hay yields for the season being normal or nearly so. Roots and corn were fully up to average and new seedings for hay and pasture entered the winter in excellent condition.

ONTARIO.—The severe drought which visited Ontario in 1933 greatly reduced the carrying capacity of pastures, damaged two-year-old timothy sod, thinned out the new seedings of timothy and clover, and curtailed the yields of hay in those areas which were most affected. The yields of coarse grains were also affected adversely. These circumstances have resulted in a shortage of feed for live stock in some areas, especially in Eastern Ontario where white grub injury was severe. In the northern part of Western Ontario a larger than average hay crop was harvested and in this area there may be some carry-over. While supplies of hay and fodder over most of southwestern Ontario were considered more than ample in October, the early advent of winter makes it appear that supplies of hay and forage in general will be pretty well used up before spring. It is likely that next year will see a reduction in timothy and clover crops over the previous season because of failures due to drought in 1933, and an increase in annual hay, fodder crops and coarse grains. In Northern Ontario the pastures suffered from drought, but improved in the fall. Hay yields were close to average while grain crops were only a little below normal. There will be no carry-over of hay or coarse grains as the production is less than that required to meet local demands. As this area is in process of development there is likely to be some increase in the acreage of hay and pasture on land recently cleared and a corresponding increase in numbers of live stock.

MANITOBA.—Due to drought and grasshoppers in 1932, many of the spring seedings of forage crops failed. Continued drought in 1933 has resulted in a serious feed shortage. The lack of feed has been further accentuated by an early winter with deep snow which terminated grazing before the usual time. It is anticipated that there will be an increase in the acreage seeded down next spring provided farmers can obtain the seed, and that there will be a considerable increase in the acreage planted to corn and annual hay crops. Prices paid for commercial feeds such as bran have been out of line with the price of grain

and this, together with a shortage of cash, has discouraged the purchase of mill feeds except where coarse grain has been a failure.

SASKATCHEWAN.—Saskatchewan suffered most severely from the disastrous drought which visited the three western provinces in 1933. All crops were a complete failure in certain sections in the western portion of the province, and the yields were greatly reduced over a much larger area, which included roughly all of the country west of Oxbow, Moose Jaw, Lanigan, and south of Saskatoon and North Battleford. East of this area severe drought was experienced in some districts, but generally speaking, the crops were good and better than average in some places. In addition, grasshoppers partially or wholly destroyed many fields in the southern part of the province.

The result has been to produce an acute feed shortage in the affected areas, which is certain to have an adverse effect on live stock. Park belt country east of the drought areas enjoyed favourable conditions for plant growth, resulting in yields of forage and pasture crops which were above normal in some districts and somewhat below normal in others. Coarse grains on the other hand disappointed early expectations and in some areas late-sown crops were ploughed down or cut for feed. In those sections of the province where feed crops were a failure the acreage of oats for sheaf feed will likely be increased considerably if seed can be obtained. Seedings of grasses, sweet clover, and alfalfa made in 1933, although very successful where growing conditions were favourable, frequently resulted in failure or near failure in the areas affected by severe drought and grasshopper injury. This will act as a factor tending to discourage the reseeded of grasses and legumes next year, especially in view of a grasshopper outbreak which it is predicted will be exceptionally acute and widespread.

ALBERTA.—In Southern Alberta, below a line running northwest through Calgary and Drumheller to the Saskatchewan boundary, pasture and forage crops were markedly poor during 1933. South of Lethbridge, Medicine Hat and Maple Creek, Sask., conditions were more favourable, providing fairly good growth in the early part of the season. It has been necessary to ship considerable quantities of forage from farther north into drought areas. The carry-over in these districts is usually insignificant.

In the irrigated sections of Southern Alberta alfalfa is the chief forage crop and there is also a small acreage of corn, sweet clover, and feed grains. An average yield of alfalfa hay was harvested in 1933. In recent years there has been a decided trend toward winter feeding of range cattle and sheep. A continuation of this trend is anticipated with a consequent enlargement in the acreage of barley, oats, and wheat to provide the necessary concentrates. Little change is expected in the alfalfa acreage but more corn is likely to be planted.

Moisture was a limiting factor in crop production north of Calgary, but in general, growing conditions were good across the northern part of the province. The yields of forage crops and coarse grains were somewhat below normal but ample to ensure an abundance of feed for live stock. In the Peace River area the production of forage and pasture crops was about normal. Grain crops were excellent but much of the oats and some wheat were badly frozen; this is being fed in the sheaf, thus augmenting the already abundant supply of feed. The acreage of hay and pasture on arable land increased last year to some extent, and this trend is expected to continue in 1934.

RANGE AREAS OF SASKATCHEWAN AND ALBERTA.—The range lands suffered from the severe drought that prevailed in general over the southwest portion of Saskatchewan and Southern Alberta. The Cypress Hills area and the extreme southern portion of Alberta were more favoured, in that temperatures during April and May were somewhat low and precipitation about normal. Here the grass got a good start and made a fairly good growth both on the pastures and

on the hay meadows. Most other range lands did not get these early rains and the grass made very little growth. The pasture burned badly as a result of scanty rainfall and abnormally high temperatures during the summer. Forage crops were almost a complete failure except on the irrigated lands. Grasshoppers did a great deal of damage, especially to alfalfa and crested wheat grass. Corn withstood the drought, high temperatures, and grasshopper attacks better than did most other forage crops.

Many of the ranchers found themselves facing winter with very poor winter pastures and very little hay on hand. In the foot-hill districts between Calgary and Pincher Creek the Provincial Government had to assist the stockmen by shipping in feed from more northern districts. In some cases stock were moved out to where feed was more abundant. On account of the acute shortage of feed during 1933, the ranchers will attempt to grow a greater acreage of forage during 1934. It is safe to predict an increased acreage of grain hay crops and of corn. The failure of grass crops, sweet clover and alfalfa in 1933, together with the scarcity and high price of seed, will tend to discourage the growing of these crops except on lands that can be irrigated.

BRITISH COLUMBIA.—In the Fraser River valley of British Columbia the spring season of 1933 was late and cold. The late growth of grass and low prices paid for butterfat, induced dairymen to put their cows on pasture too soon. This necessitated the use of hay meadows for pasture late into the season with the result that hay crops were below normal. A carry-over of hay and fodder is therefore unlikely and if the spring should be late there may be an actual shortage. Coarse grains gave a normal crop in 1933 but the carry-over, if any, will be insignificant. There is a tendency to replace commercial with home grown feeds. On the south end of Vancouver Island, hay and pasture crops were better than usual, but roots and corn were below average. No appreciable carry-over of forage or coarse grains is anticipated.

Market Hay and Commercial Feeds

The chief commercial hay producing areas are the Ottawa, St. Lawrence and St. John river valleys, the dyked areas of the Maritime Provinces, the Georgian Bay area of Ontario, and Southern Alberta. Short hay crops in some normally surplus producing areas in Eastern Canada have resulted in a substantial increase in the price paid to growers as compared with the previous season. Domestic demand has been stimulated as a result of purchases for shipment into dried-out areas and also due to increased activity in logging camps. The early and severe winter has occasioned increased feeding, and it is anticipated that the carry-over next spring will be relatively small.

Exports have approximated 30,000 tons in each of the past two years. With Canadian hay entering the United States under a duty of \$5 per ton, exports to that country have been reduced to insignificant quantities as compared with earlier years. Prices in United States markets indicate the probability of a light movement again this season. The United Kingdom draws most of its imported supplies from Canada. These normally amount to about 20,000 tons per year. Their need this year is above average but prevailing prices in Canada have been too high to permit heavy movement. Newfoundland, Bermuda and the British West Indies secure practically all their supplies, totalling about 13,000 tons, from Canada.

The production of market hay beyond requirements within reasonable rail haul is not likely to prove profitable to growers except under extremely favourable production conditions or when crop failures create unusual demands and prices. Alfalfa hay for milling and for hay commands a higher average price than timothy or timothy-clover mixtures.

The trade in commercial feeds for poultry was fairly well maintained during 1933, but for other classes of live stock the tendency has been to purchase less of these and use more home-grown grain. Except in the case of poultry feeding, the same trend is likely to become more pronounced in 1934.

Factors in the Feed Situation, 1934

The most significant trend in Eastern Canada is the pronounced tendency to use home-grown feeds and to reduce the use of purchased feeds to a minimum. This will probably make for an increased acreage of coarse grains. Another dominant factor is the rather large decrease in yields of timothy and clover hay which occurred last year in Ontario and Quebec, amounting to about 20 per cent of the 1932 crop. The summer season of 1934 will begin, therefore, with greatly depleted supplies of forage in these provinces.

In Western Canada there are a few important considerations which will determine in a large measure the trend of forage crop production in 1934. Chief among these are the acute feed shortage occasioned by the serious drought of last year, the proposed reduction in the wheat output, the extent to which farmers are given financial assistance for the purchase of seed, and the effect of the grasshopper menace and other insect pests on forage crop production. Necessity would suggest a larger acreage of spring-sown annual hays, mainly in the form of oats for sheaf feed so that land taken out of wheat production will have to be summer-fallowed or seeded with grasses, legumes, or coarse grains. On the other hand, the very widespread area threatened with insect outbreaks in the prairie provinces, the associated reduction (due to grasshopper control education) in the seeding of stubble land, the emphasis laid upon early seeding for the crop of 1934, would be expected to reduce materially the acreage in feed crops sown next year in grain producing areas infested with grasshoppers. In the northern areas, where climatic conditions are less favourable than farther south for the production of high quality wheat, consideration might be given to the growing of more coarse grains and forage crops such as oats, barley, alfalfa and cultivated grasses.

TREE AND SMALL FRUITS

Apples

The commercial production of apples in Canada was estimated at 3,977,000 barrels in 1932 and 4,892,000 in 1933. In Nova Scotia 1,054,500 barrels were produced in 1932 as compared with 2,125,000 barrels in 1933, while in New Brunswick there was an increase from 40,000 to 45,000. Similarly, in Quebec production rose from 258,000 to 296,000 barrels and in Ontario the output increased from 918,500 to 1,069,000. Production in British Columbia was reduced from 5,118,000 boxes in 1932 to 4,164,000 in 1933. Average shipping point values throughout Canada receded to a low of \$2.01 per barrel in 1932 which was 27 cents below the 1931 level and \$1.23 below the five-year average 1926-30.

Quebec, the only one of the commercial apple producing provinces which fails to supply its own requirements, appears to be taking steps to rectify this situation. A commercial production of 81,000 barrels in 1921 increased to 296,000 in 1933, and new plantings and non-bearing trees suggest, under normal conditions, an annual increase of 10 per cent during the next five years at least. Sales of nursery stock in Canada have declined from 387,000 in 1921 to 245,000 in 1931 and 297,000 in 1932, the trend being downward excepting in Quebec.

The United Kingdom is the principal export outlet for Canadian apples. In 1930, 46.3 per cent of the commercial crop was exported, of which 70 per cent went to the United Kingdom; in 1931, 44.4 per cent was exported, 85 per cent of this going to the United Kingdom; in 1932, 45.7 per cent was shipped over-

seas, of which almost 95 per cent went to the United Kingdom. Exports of canned and evaporated apples have also become a substantial factor, amounting to 47,748 cases of canned and 19,743 of evaporated apples in the calendar year 1931, 72,366 canned and 7,261 evaporated in 1932, and 111,847 cases canned and 49,945 evaporated in 1933. These also were shipped mainly to the United Kingdom.

The United Kingdom market also receives large shipments of apples from Australia and New Zealand, and from the United States and other countries in the northern hemisphere. The preferential position of Canada established at the Imperial Economic Conference has reduced this latter competition, and Canadian exports in the current season have more than offset the reduced movement from the United States.

However, Canadian growers and exporters should not consider that this preferred position in the United Kingdom market invites expansion, or even that the present volume of exports can be maintained. In recent years there has been extensive new planting in some parts of England, notably in Kent, with consequent increase in production which is only now becoming a factor in the market. Importations especially of early and short-storing varieties are likely to decline substantially in the next few years. This prospect demands serious consideration by growers and exporters in all the exporting provinces. Evidently it will be to their advantage to reduce the export, and possibly the production, of those varieties which come into direct competition with English-grown favourites.

Owing to these circumstances, comment on varietal problems is somewhat difficult. For export purposes there would appear to be over-planting of certain of the more prominent varieties. In Nova Scotia the difficulties of marketing Gravensteins will be intensified. This variety comes in competition with such English sorts as Worcester Pearmain, James Grieve, etc. On the other hand Ribston might be increased to advantage, being later than the Gravenstein, well and favourably known on the English markets, and having proven a better carrier and keeper than the Gravenstein.

In New Brunswick and Quebec, and in certain sections of Ontario, there appears to be some over-planting of the Fameuse (Snow) variety, unless the present severe winter has offset this. Prices for Fameuse have dropped sharply during the past few years, due in part to the increased volume and popularity of the McIntosh variety in these provinces. In Quebec, Ontario and parts of British Columbia, new plantings of the Wealthy variety may well be curtailed for ultimate correction of the annual marketing conflict between this variety and the McIntosh. The increasing volume of the latter variety in recent years has been accompanied by serious difficulties in marketing.

Peaches

Commercial production of peaches is confined to Ontario and British Columbia, 88 per cent being in Ontario, chiefly in the Niagara district. Total commercial production shows a ten year average of approximately 600,000 bushels, with 757,000 in 1930, 882,000 in 1931 and 904,000 in 1932. There has been a decline in both bearing and non-bearing acreage over the past twenty years and it is doubtful whether the numbers of non-bearing trees in 1931 were sufficient to maintain the bearing acreage. Peaches are in demand for fresh consumption and for home and commercial canning. The fresh fruit distribution is general throughout Canada, that of Ontario falling off sharply west of Regina and Saskatoon. Prices for British Columbia peaches have been fairly constant, with demand exceeding supply within easy radius of distribution. Prices for the Ontario product have fallen perceptibly during the years of low consumer purchasing power, from \$3 per bushel to the growers in 1927 to \$1.44 in 1932.

Imports have fallen off sharply, from 11,894,000 pounds (fresh) and 8,385,000 pounds (canned) in 1930, and 10,340,000 pounds (fresh) and 7,309,000 pounds (canned) in 1931, to 3,631,000 pounds (fresh) and 1,362,000 pounds (canned) in 1932. While a considerable part of the fresh fruit imported is for cannery purposes, it should be noted that the total Canadian commercial canning in 1931 amounting to 205,148 cases, and 248,901 cases or 7,177,457 pounds in 1932, was only slightly higher than the shrinkage in imports of canned peaches between 1931 and 1932. A few shipments of our better varieties of peaches have been sent to Great Britain and have met with very favourable comment. The value of importations of dried peaches and apricots during the fiscal years ending March 31, 1931, was \$283,794 as compared with \$284,829 in 1932. It is also interesting to note that the importations of prunes in 1931 were valued at \$717,525 as compared with \$588,327 in 1932. There appears to be a good future for certain varieties of prunes grown in Canada for drying purposes.

By far the greatest number of varieties of peaches grown in Canada are useless for either domestic or commercial canning while a few of the remaining varieties, if properly harvested and canned, are most excellent. Fortunately the bulk of the production is of some of the better varieties. It must be understood, however, that many methods of culture, selection of varieties, date of harvesting and other practices which are suitable for fresh fruit marketing are very unsuitable for canning or drying.

Pears

The Canadian pear crop does not exceed half a million bushels, the 1932 yield of 466,000 bushels being the highest in recent years. There has been some decline in total bearing and non-bearing trees, and in new plantings. The average price in 1932 was only 97 cents per bushel compared with a range of \$1.79 to \$2 over the seasons 1926 to 1929 inclusive.

Packing of fresh pears for export has increased, totalling 31,000 bushels of the 1930 crop and 67,000 bushels of the 1932 crop. Canning has increased from 161,000 cases in 1931 to 378,000 cases (12,391,156 pounds) in 1932. Imports of pears totalled 23,423,000 pounds (fresh) and 1,031,000 pounds (canned) for the 1930 crop year, 12,839,000 pounds (fresh) and 792,000 pounds (canned) for 1931, but only 10,079,000 pounds (fresh) and 209,000 pounds (canned) for 1932.

Domestic production appears to fall short of fresh consumption and cannery requirements. In the latter case the difficulty is due largely to a shortage of suitable varieties. The Canadian Bartlett canned pack has few equals and no superior in any world market. Evidently there is room here for growers to increase the quantity of Bartletts and reduce production costs of commercially desirable fruit, in order to gain a more complete command of domestic requirements and to take advantage of the opportunity to export.

Grapes

The acreage and tonnage of grapes has shown a steady increase since 1920. Under the stimulus of encouraging prices for fresh fruit together with winery requirements in excess of supply, new plantings were correspondingly heavy up to 1929. In 1920 Ontario produced 16,250 tons from 6,500 acres, with a farm value of \$2,275,000, and in 1932, 26,750 tons from 12,000 acres, with a farm value of only \$860,000. Basket costs are included in each figure for the volume shipped in baskets, i.e., other than that delivered to wineries in boxes.

The volume of commercial wine-making reached a peak in 1929 and since then has fallen steadily. The percentage of the total crop delivered to the commercial wineries similarly reached a peak, 70 per cent, in 1929, and declined to

40 per cent of a somewhat greater crop in 1932. The greater volume forced on the fresh fruit markets, together with relatively low purchasing power of the consumer has had a devastating effect on farm prices. Although the winery price has been set at \$40 per ton since 1931, the fresh fruit and juice prices have averaged barely one cent per pound net during the past three seasons. Uncontrolled farm buying by trucker-peddlers has helped to defeat the various efforts of grower and shipper organizations to stabilize prices for basket sales.

The future of the grape market is bound up with the wine industry, as the productive acreage of grapes in Ontario will over-supply the fresh fruit markets and the apparent winery requirements. These growers will be intensely interested in any steps to increase the quality, popularity and consumption of domestic wines. Deliveries to wineries and wine produced since 1925 show a distinct increase in volume of grapes per unit of wine, which appears to warrant some confidence that an improvement in quality will create a greater demand.

Small Fruits

STRAWBERRIES.—Strawberries are produced commercially in British Columbia, Ontario, Quebec, New Brunswick, and Nova Scotia, 1932 production totaling 21,220,000 quarts. Each area has established distribution in fresh-fruit markets, and there is a good demand for canning and jam purposes. The decline in value has been less marked than in most other fresh fruits, moving from a shipping-point value of from 12 to 14 cents per quart for the period 1926-30 to 10 cents in 1931 and 8·8 cents in 1932. Consumer demand in April, May, and June, when this fruit is available at moderate prices from the United States in advance of local supplies, results in the importation of a considerable amount, approaching 3,000,000 quarts. Our exports, mainly of late strawberries from New Brunswick and Nova Scotia, total 500,000 to 600,000 quarts annually.

A comparatively recent innovation, which may be expected to reach quite large proportions, is the merchandizing of fresh-frozen strawberries. The added cost of freezing and storage is very moderate. Distribution with the morning milk, or otherwise, once established, doubtless will develop a very substantial demand for this superb fruit. Processing of strawberries for storage and domestic or export disposal for canning, jam making and freezing, etc., already has attained quite large proportions. This method affords the growers an escape from crop and weather abnormalities as well as affording the manufacturers their supplies for year-round operation.

RASPBERRIES.—Production of raspberries in 1932 amounted to 7,250,000 quarts. Sales of nursery stock show little variation from year to year, with 590,000 in 1920 compared with 603,000 in 1931 and 681,000 in 1932. In general, raspberries appeal to the same class of consumer as do strawberries and have a similar dependable outlet through canning and jam factories. The seasonal canner demand fluctuates and reflects crop conditions. Thus in the 1929 season 53,000 cases were packed, 41,000 cases in 1930, 65,000 in 1931, and 37,000 in 1932. The price was from 15 to 18 cents per quart 1926-30, 14·7 cents in 1931, and 12·7 cents in 1932.

Canning and Preserving Fruits

The volume of fruits absorbed by commercial canning and preserving shows a steady increase, from an average of 641,330 cases in 1921-25 to 896,640 in 1925-30. In 1930 the output amounted to 927,838 cases, 784,833 in 1931, and an all-time high of 1,336,153 cases in 1932, which may be equalled or even exceeded for the 1933 crop. In addition to this an average of 34,000,000 pounds were manufactured into jams, jellies, etc., during the period 1921-25 which increased to 52,600,000 during 1925-30. There was also an average of

115,800 gallons of preserved or crushed fruits in 1921-25 which increased to 166,000 gallons in 1926-30. Approximately 50 per cent of the total volume of fresh fruits absorbed by the manufacturers consists of apples and pears, with the latter slightly larger in amount, about 15 per cent peaches, about 20 per cent berries and cherries, and 15 per cent of miscellaneous fruits, including plums.

Logging camps and other woods operations which, doubtless, are the greatest single outlet for canned and dried fruits, etc., last December surpassed the average number of employees for the same month in 1926-30 and consequently there is prospect of an increased demand in this industry. Taking this into consideration, along with the substantial increase in fruit used by the manufacturers, the situation may be regarded as encouraging, especially for those fruits which show signs of being bountiful in the 1934 crop season. While prices paid by the manufacturers are not high, if their requirements are substantial there is not the same likelihood of a surplus in the fresh fruit markets.

VEGETABLES

Potatoes

The 1933 potato crop of Canada is estimated at 41 million hundredweight, which is 4 per cent greater than that of 1932, but over 10 per cent below the average production of the years 1928-1932. The increase in the 1933 crop over that of 1932 is partly due to the increased acreage, amounting to 1.2 per cent, and partly to higher yields per acre in certain provinces.

Prevailing prices for the 1933 crop show an increase of at least $\frac{1}{2}$ cent a pound over those received for the previous crop. An analysis of conditions would indicate a continuance of these levels, with the usual seasonal increases. The stocks in farmers' hands on March 31, 1933, were below average. On January 1, 1934, storage stocks amounted to 200,000 tons compared with 150,000 tons on January 1, 1933, and a five-year average of 164,000 tons. It seems likely that the loss through winter storage will be about average.

The exports of potatoes in the calendar year 1933 amounted to 1,924,660 bushels as compared with 2,061,000 bushels in the previous year. There was a good movement from the Maritimes to the United States in November and December, 1933. Total November and December exports amounted to 984,867 bushels, of which 755,382 bushels went to the United States. The disturbed political conditions in Cuba have affected the normal sale of seed stock to that country. The United States' authorities forecast a 2 per cent expansion in 1934 potato acreage compared with the 1933 level and that forthcoming supplies will be sufficient to meet normal demands.

The production of certified seed potatoes in Canada in 1933 was the smallest in some years. Since harvest, the crop has also been considerably reduced by frost, especially in the Maritimes. While the usual Cuban demand is limited, there has been a strong early season market in the United States. The 1933 crop in the latter country was very short and a continued demand for Canadian seed is to be expected. Canadian farmers intending to plant potatoes in 1934, especially Irish Cobblers, should reserve their seed requirements soon, as the spring demand will probably exceed the supply.

Farmers usually respond to higher prices by increasing acreage, but a materially increased acreage in the commercial areas in 1934 may have a depressing effect on prices. Plantings should be confined to favoured areas and where good seed is obtainable. Available evidence suggests that there has been little change in the domestic consumption of potatoes and an average production from a moderately higher acreage will probably be absorbed in 1934-35 without much change in prices.

Swede Turnips

The major commercial areas producing table stock for export are in Ontario and Prince Edward Island. In the calendar year 1933, exports amounted to 1,961,778 bushels, as compared with 1,963,168 bushels in 1932. Exports in November and December, 1933, were 342,626 and 325,768 bushels respectively. The production of swede turnips in 1933 was less than average due to drought disease and frost. Carlot arrivals in domestic markets have been greater than usual and prevailing prices are fully double those obtaining at the same time last year. Brownheart is causing real concern among growers in the Maritimes and Quebec, and as a result there has been some substitution of mangels. It seems advisable to suggest little change in turnip acreage for 1934.

VEGETABLE CANNING CROPS

Among vegetables for canning, the constancy in volume of some and multiple increases in others may be taken as illustrative of our ability to displace imports and enter world trade. The figures of canning production, in thousands of cases, are given in the following table:—

CANNING CROP PRODUCTION IN CANADA 1920-32 IN THOUSANDS OF CASES

| Year | Beans Wax | Beans baked | Corn | Peas | Tomatoes | Tomato Juice | Soups |
|-----------|--------------|----------------|-------|-------|----------|-----------------|-------|
| 1920..... | 117 | 305 | 817 | 723 | 1,596 | | |
| 1923..... | 68 | 636 | 424 | 534 | 690 | | 31 |
| 1926..... | 132 | 890 | 931 | 1,291 | 1,593 | | 174 |
| 1929..... | 297 | 1,300 | 893 | 965 | 1,976 | | 505 |
| 1930..... | 349 | 1,027 | 1,078 | 2,553 | 3,389 | 7 | 777 |
| 1931..... | 252 | 861 | 1,397 | 1,143 | 2,193 | 178 | 1,036 |
| 1932..... | 215 | 842 | 424 | 1,024 | 1,483 | 348 | 1,093 |

Exceptionally large crops and competitive conditions were responsible for the abnormal output in the 1930 season, although the carry-over subsequently depressed the volume. The 1933 season totals are expected to continue the downward trend in most lines and to bring the carry-over down to better proportions. Cannery requirements in the 1934 season are expected to be normal in most lines with the possible exception of corn.

BEANS.—Green, wax podded beans and also beans for baking, are staple products for which cannery requirements depend upon crop conditions and carry-over, the domestic demand being fairly constant but the export prospect small.

CORN.—The recorded acreage of sweet corn has increased from 7,680 acres in 1921 to 30,331 acres by 1931, the chief producing areas in order of size are Ontario, Quebec and British Columbia. This acreage also supplies the demand for corn on the cob. A large carry-over and crop conditions were responsible for the sharp drop in canning volume after 1930 and 1931. Approximately 22,000 cases were exported in the 1932 crop season. Insect pests, notably the corn borer, influence the tonnage of sweet corn available for canning, but wherever this pest may reduce production in one area it can be replaced by increased plantings elsewhere.

PEAS.—Until recent years most of the domestic requirements for canned peas were supplied in Ontario, or by importation from Europe, but Quebec and British Columbia have established and expanded output rapidly. In 1921 the

recorded acreage of canning peas was 2,202 acres in Ontario. In 1931 Ontario had 9,385 acres, Quebec 3,161 acres and British Columbia 418 acres and small acreages in other provinces brought the total to 13,248 acres. In the past year or two imports of this product have been negligible, and the Canadian pack is finding export markets as a result of its high quality. Exports amounted to 34,341 cases in the 1932 crop season, practically all going to Empire Markets.

TOMATOES.—Canned tomatoes and tomato products constitute the largest of Canada's cannery packs. The selling value of canned tomatoes, juice, paste, and puree, exclusive of catsup and sauces, totalled \$4,076,336 for 1931 and \$3,488,954 for 1932. During 1932-33 exports of tomatoes and tomato products to Great Britain were increased greatly with excellent prospects of holding and expanding this outlet, especially for first quality packs. Total exports for the fiscal year 1933 were 1,359,725 cases.

Ontario, Quebec and British Columbia are the provinces in which commercial production of tomatoes for canning purposes and fresh sale is of greatest importance. The total acreage is approximately 20,000 acres. A dependable cannery demand, even though varietal, also is of importance to those producing primarily for the fresh vegetable market. The grower, therefore, is vitally interested in both the domestic and export demand for canned tomatoes and tomato products.

ASPARAGUS.—The acreage and yield of asparagus is so small, relatively, and so scattered, that reliable information is not available. Figures for Ontario show slightly less than 1,000 acres, yielding from 1,800 pounds to 3,000 pounds per acre, with approximately two-thirds of the yield ordinarily sold to canners at 8 to 11 cents per pound. Output of canned asparagus increased from 22,000 cases in 1931 to 37,000 cases in 1932. An export market is also developing; 552 cases were shipped overseas in 1931 and 1,758 in 1932. In British Columbia acreage has increased from 119 acres in 1930 to 400 acres in 1933. Although the area devoted to this crop in Quebec is relatively small the acreage increase is considerable, having grown from 49 acres in 1930 to 185 acres in 1933. Some canners have found Canadian asparagus to be much superior to the Californian product and consequently there has been a very satisfactory demand which has resulted in plans to expand output to a considerable extent. Growers with suitable production conditions and conveniently situated for delivery to canneries may well study the possibilities of this crop.

SUGAR BEETS

According to prevailing estimates, Canadian sugar beet acreage in 1933 was about 2 per cent lower than that of 1932. There was also a decrease in yield per acre so that the total production was estimated at 457,000 tons compared with 508,000 tons in the previous year. Despite the decrease in 1933 it is significant that in the four depression years 1930-33, sugar beet acreage has averaged 44 per cent above that of the previous four years and production has been 88 per cent higher. The probabilities for 1934 are that there will be little change in the acreage of beets contracted in the vicinity of the three factories in operation, although there may be a small increase in southern Alberta. Production may be slightly increased in some areas which are not at present producing on a commercial scale. There will probably be the usual increase in sugar beet seeding incidental to a depression when farmers produce a syrup to substitute for sugar.

Shipments from sugar factories indicate that Canadian consumption of sugar in 1933 declined 9 or 10 per cent as compared with the previous year. On a per capita basis consumption amounted to about 82 pounds, as compared with 90.5 pounds in 1932 and 97.8 pounds in 1930.

During 1933 prices of raw sugar increased considerably. Prices on the New York futures market rose 52 points or 63 per cent over the price of 0.83 cent a pound recorded on January 1, 1933. Adjusted to a gold basis, prices showed only a slight increase which would indicate that the world statistical position was only slightly improved during the year. The situation in Cuba is still problematical and dependent on action by the United States in regard to quotas, but restriction under the Chadbourne plan has been effective. In other countries, restriction is not in evidence and nationalistic policies dictate the fullest possible utilization of domestic supplies. Judging by the course of raw sugar prices, it seems likely that sugar beet growers in Canada will receive returns per ton in 1934 at least equal to those of last fall.

TOBACCO

PRODUCTION.—A feature of Canadian tobacco production during the past five years has been the increase in the acreage of bright flue-cured tobacco. This has taken place chiefly in Southwestern Ontario and in the Sumas area in British Columbia. Production of this type increased from about 8½ million pounds in 1928 to 27½ million pounds in 1932. Seasonal factors in 1933 reduced the production to between 22 and 23 million pounds. Paralleling the increase of flue-cured tobacco there has been a gradual decrease in the production of dark tobacco. Burley has been subject to somewhat violent fluctuations, although there has been a decreased acreage during the past three years. The 1933 Burley crop is estimated at about 9 million pounds.

In the province of Quebec, the production of cigar binder leaf has averaged about 4 million pounds. This is about 20 per cent less than the three-year average from 1928 to 1930. The production of the so-called pipe tobaccos grown in Quebec has fluctuated considerably during recent years. A reduction of about 50 per cent in the acreage of pipe tobaccos occurred in 1933. The greater decrease was in the small pipe varieties, production in 1933 being only one-fourth that of the preceding year.

MARKETING AND PRICES.—The expansion of tobacco production in Canada from 13 million pounds in 1921 to 54 million pounds in 1932 has given rise to difficulties in marketing the crop to advantage. Constant improvements in the quality of the product, as delivered from the farm, based on the introduction of types and varieties better suited to market demand, greater knowledge of fertilizer requirements and soil limitations as well as improved cultural and harvesting methods have resulted in expanding markets both at home and abroad. Nevertheless prices have declined from the 1930 level, despite reduced imports and increased exports.

To offset adverse market conditions, the Quebec growers very materially reduced their acreage in 1933. Early in the present year provincial grading legislation was put into effect in that province. In Ontario the growers of flue-cured tobacco have organized for the purpose of securing more efficient marketing of the crop. With a better knowledge of relative farm crop values derived from an inspection and quality evaluation service, coupled with the assurance of an established sales channel, the growers have been selling their 1933 flue-cured tobacco in a more orderly manner. Somewhat similar action is being taken by the Burley producers.

DOMESTIC LEAF STOCKS.—Statistics are not available covering the holdings of domestic leaf in other than bonded warehouses. Certain facts would indicate, however, that stocks of the heavier grades of Burley and flue and of Quebec pipe tobaccos are considerably above the normal requirements of the manufacturers. Stocks of cigarette grades of Burley are apparently about normal and there is

still a shortage of aged flue-cured tobacco suitable for cigarettes and of high quality cigar binders. Owing to the fact that a large proportion of the stocks of foreign leaf destined for use in Canada are held in United States warehouses, accurate information in regard to that phase of the situation cannot be obtained. It is, however, a fact that stocks of foreign leaf stored in Canada have been rapidly decreasing of late.

TRENDS IN THE EXPORT MARKET.—In general the progress of Canadian leaf tobacco in the United Kingdom market during the past year has been satisfactory. Withdrawals from bond for consumption, the best indicator of trade trends, show a marked increase in the use of all Empire tobaccos; the increase in Canadian leaf was the greatest both absolutely and proportionately. The use of Canadian tobacco increased from 5,342,699 pounds in the first 10 months of 1932 to 7,693,259 pounds during the same period in 1933. On the basis of 1933 consumption, about a two-years' supply remained in bond, which is somewhat higher than is normally considered necessary.

The most significant development of the year in the United Kingdom has been the abandonment of the premium gift schemes by mutual agreement among the manufacturers. The cost was high and necessitated the use of cheaper sources of leaf supply. Canadian bright flue-cured was found to be the most useful Empire tobacco for this purpose. With the abandonment of the gift schemes it is probable that there will be a lessened demand for Canadian flue, especially of the lower grades. In the pipe tobacco trade Canadian flue-cured has not been able to make headway against similar leaf from other Empire countries, particularly Rhodesia. Tobacco of this type from India is also appearing on the market in commercial quantities.

Prospects for Burley are not especially good. The market is normally small, as this type is used only in the cut tobacco and twist trade. For some years there has been a fairly steady market for Canadian Burley, but in 1933 there was a sharp drop in exports. Old country manufacturers complain of a shortage of the heavier grades. This is probably the result of the increased demand for the light, thin cigarette grades in the domestic market in Canada, which has resulted in the use of varieties and cultural methods tending to produce such leaf.

The dark-fired and dark air-cured trade shows signs of a recovery from the low level of exports in 1932. Competition from Nyasaland is severe but a number of manufacturers are finding Canadian darks suitable for special purposes. The position of Canadian cigar leaf in the United Kingdom is somewhat obscure, the limiting factors being a declining high-priced cigar industry, the existence of other Empire sources of supply and a present dislike of the Canadian product. The necessity of improving the product is self-evident.

The development of outlets for Canadian flue and black fats in the British West Indies and for dark Africans in British West Africa must still be regarded as being in the experimental stage. The Belgian market is a low-priced one and continues to absorb limited quantities of cheap low-grade Canadian leaf, principally Burley.

TRENDS IN THE DOMESTIC MARKET.—General economic conditions in Canada during the past three years have had an important effect on conditions in the domestic market for Canadian-grown tobacco. Faced with a rapidly decreasing per capita consumption of tobacco products, the manufacturer has been forced to seek cheaper sources of supply for his raw material. In brief, there has been a general shift to lower-priced products by Canadian smokers. The total of cigar consumption has dropped from 180 millions in 1930 to about 114 millions in 1933; in addition there has been a shift from the more expensive sizes to the five-cent cigar. Decreases in the use of plug tobacco have occurred for many years, and have been accelerated since 1930. The use of snuff has

fallen 25 per cent. Until recently there has been an increase in the use of cut tobacco but this has been at the expense of cigarette consumption. This situation was somewhat alleviated by the reduction in the price of cigarettes permitted by the lowering of the excise duty, resulting in a slow but steady increase in cigarette consumption from the low levels reached in 1932. Recently, the prices of cut tobaccos also have been reduced, apparently with a view to recovering some of the trade lost to the raw leaf vendors.

Another important trend has been the increasing use of domestic leaf tobacco and the corresponding fall in importations from the United States and elsewhere. In 1927 imports totalled over 18½ million pounds, and in 1933 only 9½ millions. This tendency is further evidenced by the fact that in 1930 only 51 per cent of the total leaf used by manufacturers was of domestic origin, while in 1933 the proportion is estimated to have been about 65 per cent. In addition to the utilization of tobacco for smoking purposes, recent developments indicate that increasing quantities of low-grade leaf will be used in the manufacture of nicotine insecticides and in feeds and fertilizers.

GENERAL POSITION.—While it is yet somewhat early in the year to draw definite conclusions the evidence available would indicate that there will be no increased demand for Canadian leaf tobacco. Any increase in the use of flue-cured in the domestic market probably will be counteracted by a reduced export demand. Further reductions in the total production of Burley and cigar leaf would appear to be necessary, with more attention being given to the growing of Burley and cigar leaf suitable to the requirements of the British market. In view of the general uncertainty of market conditions, the growing of tobacco on land which has not already proven to be well suited to tobacco production should be avoided.

HONEY

Honey production in 1934 will depend largely upon the number and strength of colonies that survive the winter, the number of package bees imported and the weather conditions during the coming spring and early summer. In most sections of the country the bees went into winter quarters in fairly good condition and the subsequent steady cold weather has favoured satisfactory wintering.

The clovers which are the main source of surplus honey over the greater part of the Dominion suffered to some extent from the drought of last summer, but entered the winter in fair condition. The heavy snowfall of the present winter also promises better protection against the winter killing of clover than has been the case for the past two or three years.

The honey crop of 1931 was the highest on record, reaching a total of 29,666,097 pounds, but, owing to a combination of drought and winter killing of clover, the crop for 1932 was only 20,628,934 pounds. Continued unfavourable weather conditions through 1933 seriously affected production for that year also. Total production figures for 1933 are not yet available; it is estimated, however, that the amount did not exceed that of 1932.

Because of short honey crops during the past two years, little or no difficulty was experienced in the disposal of the honey, in fact the crop of 1933 moved at from 1 to 2 cents higher than the previous year. Prices declined from an average of 10 cents per pound in 1929 to 7·6 cents in 1931, rising again to an average of 8 cents in 1932. At the present time there appears to be little or no honey left in producers' hands.

The amount of honey exported has been increasing steadily from 1,744,871 pounds in 1929 to 2,806,770 pounds in 1933. Of the total exported in 1929, 1,213,229 pounds went to the United Kingdom, while in 1933, 2,213,899 pounds were sent to that market, indicating a growing market for Canadian honey in

Great Britain. Short honey crops in New Zealand during the past three years have no doubt helped to place Canadian honey in the favourable position it now occupies in the United Kingdom.

During the past few years there has been a steady increase in the number of package bees imported, the value of these being \$67,877 for the first nine months of 1933 as compared with \$52,271 for the year 1932 and an average of \$61,180 for the past five years. These values, however, do not present a true picture because the price of package bees has declined approximately 50 per cent during the same period. Should the proposed scheme for marketing package bees under the Agricultural Administration Act of the United States become law, purchasers of package bees in Canada may look for an increase of approximately 63 per cent over last year's prices and this may have the effect of reducing the number of packages imported this coming season.

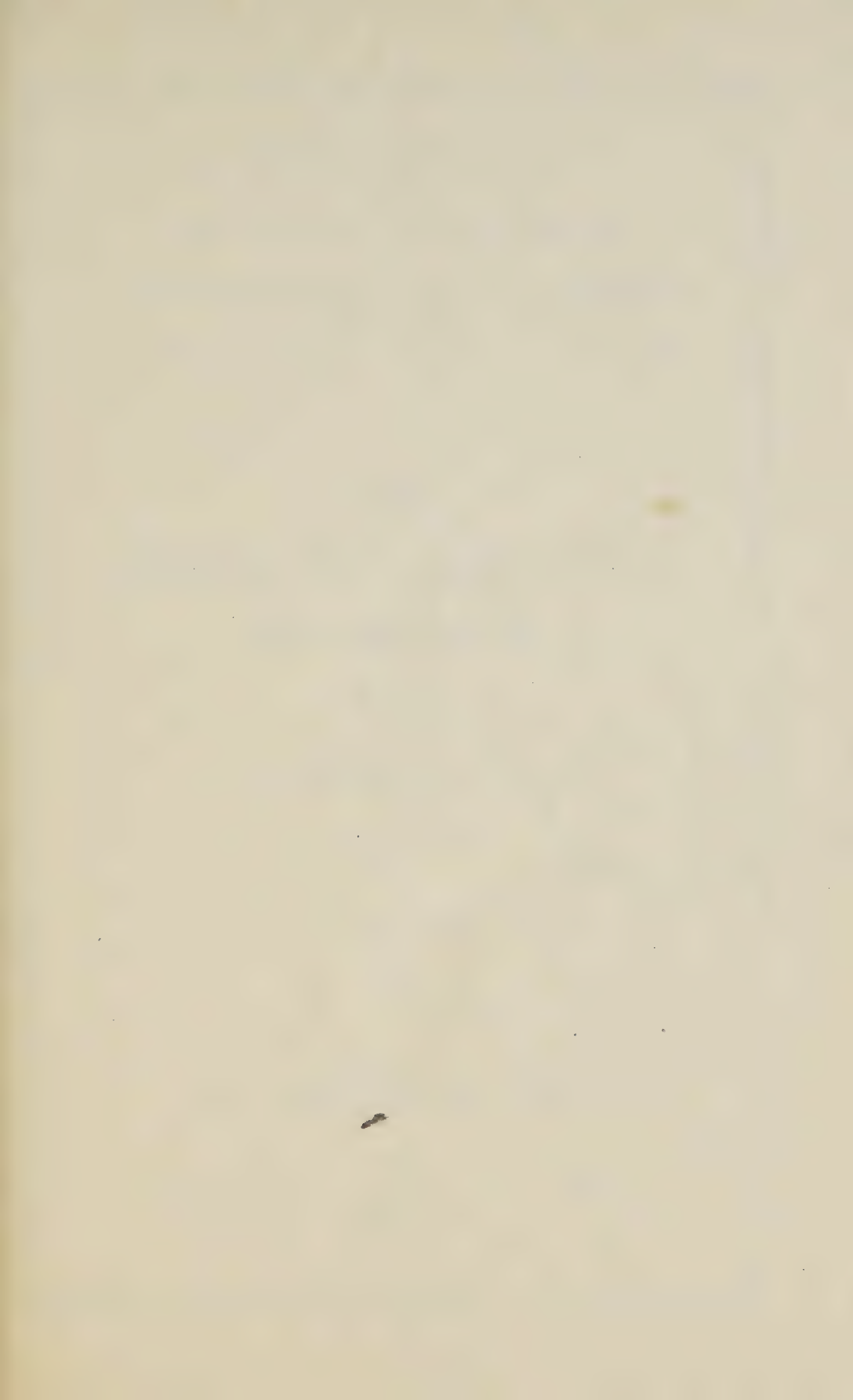
MAPLE PRODUCTS

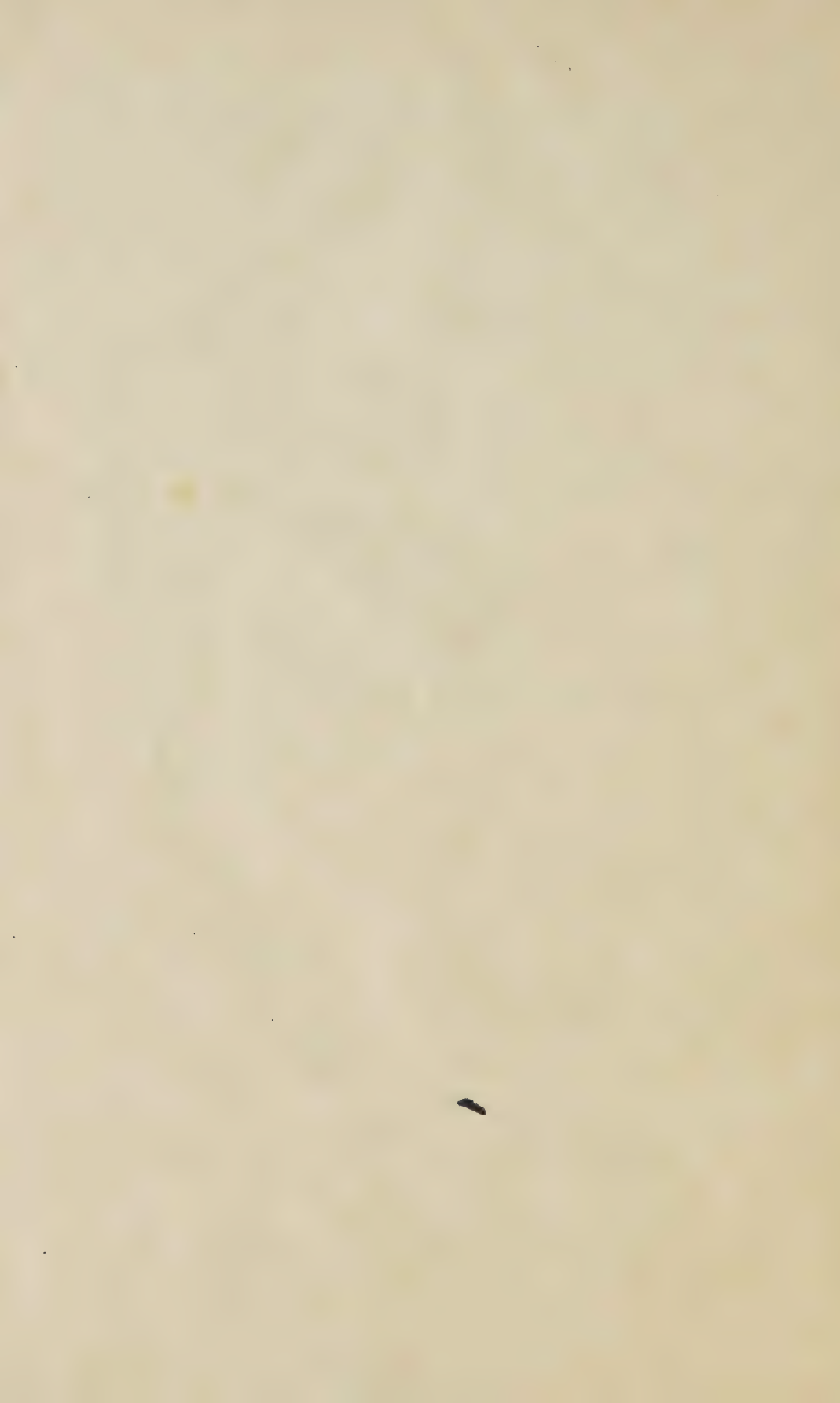
The annual yield of maple products depends on the amount of precipitation during the preceding summer and winter and upon weather conditions during the crop season. Sufficient moisture with mild days followed by cold nights during the maple season results in a good flow of sap. The number of trees tapped varies little from year to year. While rainfall during the summer and fall of 1933 was below average, the snowfall during the present winter has been much heavier than for a number of years and should provide sufficient moisture for a bountiful crop. Given favourable weather conditions during the maple season, the crop should exceed considerably the average of the last three years.

During the four years 1927-1930 inclusive, the yield of maple products, expressed in terms of sugar, averaged 31,386,129 pounds. During this period conditions were favourable, but in the following three years, as a result of low precipitation and adverse weather conditions obtaining during the maple season, production was greatly decreased, averaging 20,567,156 pounds of sugar. The 1933 production was 18,408,280 pounds. The wholesale price of syrup in 1933 was \$1.24 per gallon and of sugar 8.5 cents per pound as compared with \$1 per gallon for maple syrup and 9 cents per pound for maple sugar in 1932. The average wholesale price of sugar from 1927-1931 was 15.8 cents per pound and of syrup \$1.54 per gallon.

During the four fiscal years ending March 31, 1931, the average export of sugar was 8,214,924 pounds. In 1932 and 1933, total exports dropped below 4 million pounds and during the current fiscal year to September 30, they totalled 1,647,704 pounds. Canada exports approximately 20 per cent of her maple products, most of this volume going to the United States. Prior to June 16, 1930, the tariff on Canadian maple sugar and syrup entering the United States was 4 cents per pound, on which date the rate was increased to 8 cents per pound on sugar and 5½ cents per pound on syrup. On March 7, 1931, the rate was revised to 6 cents per pound on sugar and 4 cents per pound on syrup. Undoubtedly, economic conditions and the increased duty on Canadian sugar entering the United States have seriously curtailed export shipments to that country. Canada encounters little competition in the manufacture of maple products since the United States, the only other source of maple products, does not produce sufficient to meet domestic requirements, and that country imports annually a large proportion of the Canadian supplies.

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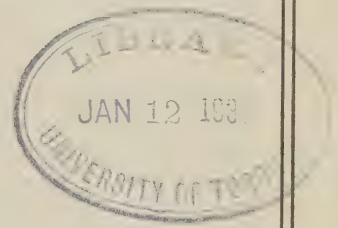
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DOMINION OF CANADA

THE DEPARTMENT OF AGRICULTURE
AND
THE DEPARTMENT OF TRADE AND COMMERCE
CO-OPERATING

THE
AGRICULTURAL SITUATION
AND OUTLOOK
1935

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FOREWORD

The Agricultural Situation and Outlook represents an effort to place before those engaged in agriculture the salient factors affecting the supply of agricultural products, the probable demand and the nature and extent of competition that may be encountered during the year 1935, particularly in foreign markets.

This report indicates that there is prospect of continuation of recovery in 1935. Wholesale prices have risen in Canada and abroad; prices of most farm products are higher than a year ago; business has become more active; employment has increased; and while the cost of living has risen somewhat, it has not been in proportion to the rise in prices and thus there appears to be an increase in purchasing power from which farm products should benefit.

This review contains basic facts which will assist the farmer in adapting his own farm operations to changing conditions and while the events of the coming year cannot be forecast with absolute accuracy, an effort has been made to provide a reasonable measure of direction for the production and marketing of farm products in 1935.

The first annual review of this nature was published early in March, 1934. This publication met with a very large measure of approval and the committee in charge was, therefore, encouraged to continue efforts along these lines. It should be recognized that this report has been prepared almost entirely from a national point of view. It has been anticipated that eventually all provinces may publish outlook reports as has already been done in two provinces, and in this way, the data contained in the national outlook may be adapted to the special conditions obtaining in the various provinces.

The Agricultural Situation and Outlook has been made possible through the co-operation of officers of the various branches of the Department of Agriculture and the Department of Trade and Commerce who formed the committees which prepared the various reports of which it is comprised. Three provinces, Nova Scotia, Quebec and Ontario, were represented at the final meeting of the committees held in Ottawa on November 29 and 30 at which all preliminary reports were considered and revised.

Responsibility for planning the project was again assumed by the committee appointed by the Executive of the National Advisory Council on Agricultural Services and consists of Dr. J. F. Booth, Economics Branch, Department of Agriculture, Ottawa, Dr. T. W. Grindley, Agricultural Branch, Dominion Bureau of Statistics, and Dr. J. E. Lattimer, Macdonald College, P.Q.

The committee is desirous that full credit for the preparation of the various sections comprising this completed report be given to the officials who co-operated in their preparation, and also desires to acknowledge the assistance rendered by Mr. J. Coke as secretary of the organization committee and by Messrs. T. G. Major and A. E. Richards in arranging and editing the manuscript.

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THE AGRICULTURAL SITUATION

DOMESTIC DEMAND

Continued revival of business conditions and a moderate increase in prices of farm products improved the position of agriculture in 1934. Grounds for the anticipation of further gradual recovery in domestic markets for farm products were provided by the persistent rise in business activity, easier credit conditions and firmer prices. The domestic market is of major importance and it is expected that it will continue to occupy that position.

A general idea of recent economic improvement may be obtained from an index of the physical volume of business transacted in Canada. Between February, 1933, and October, 1934, this index moved almost steadily forward from 67.0 to 95.8, to register an increase of almost 43 per cent. Consequently business operations were at a much higher level in 1934 than in the preceding year. The rapid expansion in mining operations was one of the major influences which supported this advance. Resumption of external demand for nickel and base metals combined with a sharp rise in gold prices to produce marked enhancement of activity in the mining districts.

The 1934 level of manufacturing operations was approximately 19 per cent higher than that of 1933. One element in this gain was the extension of operations in the lumber and paper industries. The increase in the export of planks and boards from 815,562,000 board feet for the ten months ended October, 1933, to 1,148,807,000 for the ten months ending October, 1934, reflected the greater activity in lumber operations and the output of newsprint for the same periods at 2,117,248 tons compared with 1,646,847 in 1933, represented a gain of 28.6 per cent. The automobile and allied industries which participated fully in the prosperity phase of the last cycle from 1922 to 1929 showed definite signs of betterment in 1934. Viewed in the light of levels existing from 1919 to 1929, operations in the construction industry during 1934 were relatively of very modest proportions. A considerable percentage gain was shown over 1933 but the relative inactivity of this industry is one of the handicaps to the return of prosperity. The railway freight movement made a fair showing in the first ten months of 1934, the gain in loadings over the same period of the preceding year being about 16 per cent. It should be realized, however, that the freight handled by the Canadian railways was far below normal as measured by the trend from 1919 to 1930.

Industrial Prospects

The industrial situation for 1935 is dependent on a number of significant factors, which include (1) interest rates and monetary tendencies, (2) the position of the construction industry and other groups concerned with the production of buildings and equipment, (3) the industrial trend in other countries and consequent demand for commodities of which a surplus over domestic requirements is normally produced in Canada, and (4) the financial position of the farmers which exerts an important influence upon Canadian manufacturing industries.

Interest Rates and Monetary Tendencies.—One of the most significant developments during the year just ended was the pronounced advance in high-grade bond prices. Considerable gains had already been recorded from the early months of 1932 to the end of 1933, but the main advance occurred in the first ten months of 1934. The yield on Dominion government bonds recently has been lower than at any time since pre-war days. The banking and monetary

situation became more favourable toward the latter part of 1934. Bank deposits showed a gain at the end of September, exceeding the level on the same date in either 1932 or 1933. The increase in current loans was also marked in the three months ending October, reversing the downward trend evidenced since 1929. The large surplus of notice deposits over current loans had led to the extensive purchase of bonds and other securities by the banks. The increase in security holdings at the end of October to the highest point in the history of Canadian banking has placed a large amount of currency in the hands of the public. The recent addition to the Dominion note issue has contributed to the same result. The outcome has been that the sum of bank and Dominion notes in the hands of the public recently reached a higher point (after seasonal adjustment) than at any time since November, 1930. Readily available assets of the banks amounting to \$1,178,000,000 at the end of October represented a new high point. Present long-term interest rates and the trend of currency and banking developments are favourable elements in the outlook for 1935.

The Construction Industry.—Some light may be thrown on the industrial prospects for the coming year by an analysis of the two main classes of productive enterprises. The production of consumers' goods such as food, beverages, tobacco and clothing tends to be fairly well maintained despite depression in other lines. Operations in this group of industries showed a steady growth from 1921 to 1929 but recorded relatively less expansion in the prosperous years of 1928 and 1929 than was recorded by other lines. In other words, the operations of industries engaged in the production of consumers' goods have been relatively stable in the face of cyclical fluctuations. With industries engaged in the production of such goods as buildings and machinery the case is quite different. These industries reached a high level of activity in 1929, and then showed marked reaction until the first quarter of 1933. Since that time the percentage gain has been large, but operating levels are still much below normal. Inactivity in the production of the more durable type of goods was one of the basic factors of the depression, and a much greater measure of recovery in this field must be accomplished before Canada again reaches a prosperous condition. Recently the demand for metals and lumber in external markets has given an impetus to this group, but the capacity of most lines of industrial and transportation equipment is in excess of present requirements.

Industrial Trends.—Considerable variation was shown during 1934 in the trend of industrial operations of the principal countries. Canadian prospects are dependent in large measure upon developments elsewhere, particularly in Great Britain and the United States.

Financial Position of Farmers.—It is probable that the volume of agricultural production in 1934 was slightly in excess of that in 1933, and in view of the rise in prices of farm products, an increase in the farmer's purchasing power is indicated. This undoubtedly will exercise a beneficial effect upon industrial operations and upon economic conditions generally.

Monetary Factors

Since September 1931, the price of gold has risen by over 60 per cent. The greater part of this rise came in 1933, and was closely followed by an advance in wholesale prices. While this advance was of considerable proportions, it was much less marked than the increases registered by gold. From a farmer's point of view, the significance of this advance lay in the fact that prices of farm products mounted faster than those of most other commodities and consequently the farmer could exchange his products for greater quantities of things he needed. In 1934, the price of gold tended to stabilize at approximately 65 per

cent above its old level. In recent months there have been indications that further major increases in gold prices are unlikely, and if this proves to be the case the buoyant influence they exerted in 1933 upon other prices cannot reasonably be expected to produce further appreciable increases. As noted in an earlier section of this analysis, however, the recent downward tendency in interest rates is favourable to expansion of credit and continuation of firm commodity markets.

Domestic Market for Farm Products

It is calculated that in recent years the domestic market has absorbed approximately 85 per cent of Canadian farm produce. The home market has come to be almost the sole outlet for animal products with the exception of bacon, and there are only three farm products, viz., wheat, apples, and cheese, of which more than 50 per cent of production is exported. The importance of the home market, therefore, may readily be appreciated. Consequently an examination of domestic purchasing power and supplies of agricultural products available for consumption is essential.

Employment in industries other than agriculture was greater in 1934 than in either of the two preceding years, although still roughly 20 per cent below the levels of 1929. Improvement has been general but varied materially in different areas and industries. The broadest gains occurred in the manufacturing areas of eastern Canada, but mining and logging operations and construction of highways also resulted in a material increase in employment. Steady improvement occurred in the Maritimes and in British Columbia, but employment figures for the Prairie Provinces showed only minor advances. A general employment index for Canada averaged approximately 16 per cent higher in 1934 than in 1933.

There was no great difference between wage rates paid in 1933 and 1934, although reports of increases were not uncommon. It is fairly certain that short time and part time employment in 1934 were less common than in the preceding two years. The total earnings of labour undoubtedly have increased and probably by an amount in excess of the rise in living costs.

Great activity in manufacturing and mining has been reflected in larger dividend and interest disbursements in 1934. Estimated bond interest payments in the first three quarters of the year were more than 8 per cent above those for the same part of 1933, while dividends increased by over 30 per cent. Little information is available regarding the income of salaried classes, but in all probability it remained practically upon a par with 1933 levels.

Against these indications of larger income must be considered the evidence of rising prices which tended to offset improvement in domestic purchasing power. The cost of living of wage earners and employees receiving moderate salaries has risen about 1 per cent during 1934. Retail prices of food products from Canadian farms have advanced roughly 13 per cent and other foods about 3 per cent. This rise has mitigated against greater consumption of farm produce, but food consumption varies little except under decidedly abnormal circumstances and demand for foods will doubtless be well maintained.

Industries using farm products as basic materials enjoyed varying degrees of activity in 1934. The output of flour mills declined somewhat, influenced in part by greater imports and the contraction of export markets, but oatmeal production rose to a marked extent. Consumption of raw wool and yarn was much higher in the first half of 1934 than in the corresponding period of 1933, although comparisons based on the second half of the year were unfavourable. Cattle slaughtering showed a steady increase over 1933 and similar records for hogs were well maintained. Cold storage holdings of farm products were roughly upon a par with 1933 figures in the latter part of the year, but had been considerably below them in the winter and spring months.

Imports of commodities competing in the same fields as Canadian farm products advanced in value by 16.5 per cent in the fiscal year 1933-34. Much of this increase of roughly \$10,000,000 was due to rising prices and did not indicate any considerable increase in the volume of imports. Practically the whole difference in value was attributable to animal products, with hides and wool imports greater both in value and volume than in 1932-33. The value of imports of agricultural products continued to increase steadily during the second and third quarters of 1934. There is little reason to believe, however, that imports are obtaining a larger share of the market for Canadian products. All told they represent probably not more than 5 per cent of the Canadian consumption of such commodities, and the value increases noted have likely been due in large part to a slight general expansion in markets coincidental with rising prices.

Agricultural Income

The general level of wholesale prices of farm products averaged approximately 15 per cent higher in 1934 than in 1933. In the latter part of the year the index of prices of farm products tended to fluctuate narrowly about 40 per cent below average levels obtaining in 1926 and 40 per cent over the extreme low point of the depression reached in February, 1933. The variations in prices of farm products are illustrated by a comparison of averages covering the first ten months of 1933 and 1934 which reveal the following percentage increases: No. 1 Manitoba Northern wheat 22 per cent, No. 2 C. W. oats 27 per cent, timothy hay No. 2—good, 70 per cent, good and choice steers 21 per cent, bacon hogs 61 per cent, wool, eastern bright, 49 per cent, milk 9 per cent, butter 2 per cent, cheese 2 per cent, and fresh eggs 13 per cent. On the other hand prices of potatoes declined 15 per cent. Farm income, particularly towards the close of 1934 and the first part of 1935 may be expected to reflect in large part the improvement registered by farm prices. The gradual adjustment of the debt situation, considered in more detail below, should also affect incomes favourably.

The rise in prices of farm products has been accompanied by a less rapid advance in values of things farmers buy. A specially constructed price index of farm purchases, including living requirements as well as operating equipment, has moved upward roughly 5 per cent above the 1933 average. Foods mounted 8 per cent, clothing 1 per cent, household supplies and equipment 4 per cent, and operating supplies and equipment 5 per cent. Since prices of manufactured goods have not advanced as rapidly as those for farm products, farm incomes will purchase larger supplies of needed goods than could be obtained at the beginning of 1933. The 5 per cent increase in prices of farm purchases, however, will prevent the improvement in purchasing power from being fully commensurate with the rise in the farmers' gross receipts.

Consumption of food products has been well maintained during the recent years of low prices. Future demand will depend on the ratio of prices to purchasing power. Food prices have advanced during the past year more rapidly than prices of other goods. Increased food prices have been associated with increased farm prices. Greater volume of employment and some wage increases, especially in the logging, lumbering and newsprint industries, have increased total wages as much as living costs have increased. Hence the higher prices received by farmers for an aggregate volume of goods similar to that of the previous year is a net national gain in domestic purchasing power.

Rural Credit

Two statutes affecting rural credit were passed at the last session of parliament, the Farmers' Creditors Arrangement Act and Amendments to the Canadian Farm Loan Act. The Farmers' Creditors Arrangement Act provides for the rearrangement or readjustment of indebtedness and also machinery whereby the farmer who is hopelessly involved, can inexpensively go through bankruptcy.

The Treasury has made available to the Farm Loan Board an additional \$10,000,000 for rural credits and under the provisions of the Act further sums undoubtedly will be made available. The Board is given greater powers in the matter of extending credits and provision is made for second mortgages in certain cases as well as first mortgages. The rates of interest are fixed at $5\frac{1}{2}$ per cent in the case of the long-term first mortgage, and $6\frac{1}{2}$ per cent in the case of the short-term second mortgage.

Very little money is being advanced in rural Canada by the ordinary lending institutions. It is interesting and encouraging to note that the trend in connection with the rearrangement and readjustment of existing mortgages in the matter of interest is towards lower rates. It seems to be conceded by lending institutions that this is desirable and while in many instances arrangements are being made on the basis of performance, this trend towards lower rates does exist, and is of real value to the farmer.

EMPIRE AND FOREIGN DEMAND

Despite all the unfavourable factors in the present situation, statistics published by the League of Nations indicate a slight improvement in international trade. The decline in world trade, which has been continuous for over four years, has definitely slowed down. In the first quarter of 1934 there was a slight increase in the total quantity of goods traded as compared with the first quarter of 1933, although owing to reduced prices the value was lower. In this improvement, which gives promise of continuing, Canada has taken a leading position along with Great Britain, the other British Dominions, Japan, Scandinavian countries and some of the countries of South America.

World Trade Conditions

International trade in agricultural products has been complicated by much the same factors as have affected foreign commerce generally. Extreme nationalist policies characterized by increased tariffs, price fixing arrangements, quota regulations, exchange control and other restrictive measures, combined with instability of exchange and reduced purchasing power have tended to diminish trade.

These obstructions in the channels of trade are intended primarily to protect money and banking systems and maintain national solvency during the period of depression. Additional reasons for their existence are to be found in the desire of nations to become independent of foreign supplies of foodstuffs and to protect the agricultural community against low world price levels. In so far as these obstructions are the direct result of the depression, or are the outcome of governmental attempts to combat it, their removal and consequent resumption of more normal trading relationships may be reasonably expected with returning prosperity. Already in some countries a tendency towards the lifting of exchange control measures is apparent, and fluctuations in currency values have narrowed considerably with the promise of reasonable stability at new levels. Rising prices and trends of general production in most countries show promise of a return of purchasing power and the restoration of effective demand to more normal proportions. The lifting of tariff barriers and other trade restrictions, however, is likely to be a more gradual and possibly a very slow process. Much of the intensely nationalist feeling, especially in European countries, has been engendered by fear and the self-sufficiency policies it fostered are likely to be maintained for a considerable period. Moreover, these policies tend to create vested interests which will strongly resist measures designed to bring about normal trading conditions.

For the fiscal year ended March 31, 1934, Canada's exports of commodities which, in their original state, are produced on Canadian farms, were valued at

\$237,718,000. Of this amount \$157,517,000 represented raw materials including foods. Corresponding figures for the fiscal year ended March 31, 1933, were \$222,815,000 and \$164,999,000 respectively. The bulk of Canada's exports of farm materials goes largely to the United Kingdom and the United States, the former accounting for roughly 60 per cent of the total, and the latter about 12 per cent. An improvement in the economic conditions in these countries is, therefore, of particular significance.

Conditions in the United Kingdom

In 1934 the rate of business activity compared favourably with that in 1933, despite hesitant progress in the latter part of the year. The value of commodities sold on a retail basis in the first nine months averaged roughly 3.5 per cent higher than in the corresponding period of 1933; and similar evidence of improvement was shown by rising revenue from freight traffic and by a larger volume of imports retained for domestic consumption. The volume of exports was also greater. An index of bank clearings which furnishes a good idea of general business conditions averaged 6.3 per cent higher in the first nine months of 1934 than in the same period of 1933. Improvement in manufacturing industries was evidenced by an increase of 15.6 per cent in profits. The position of labour also appeared to be somewhat better, with the numbers of insured unemployed ranging from 15 per cent to 20 per cent less than in 1933. An index of wage earners' power of purchasing held steadily above 1933 levels during the first half of 1934. This index which is published by *The Statist* declined, however, between April and July, due largely to a 3 per cent increase in living costs.

The Statist's index of finance which measures changes in the supply of capital, showed a slight recession for the second quarter of 1934. It was relatively high compared with recent years, however, supporting the view that no difficulty would be experienced in maintaining current levels of business activity. Interest rates remained low, and there appeared to be little or no strain upon gold reserve stocks of banks.

Economic conditions within the country continue to be favourable to recovery. The midsummer lull in business activity appeared to be seasonal in part, and partly due to political and economic uncertainties abroad.

Conditions in the United States

A five-month decline in the volume of industrial production beginning in May, 1934, gave a decided check to business recovery in the United States. Throughout this period, however, consumption was well maintained, and business inventories generally were low toward the close of the year. This condition was favourable to a resumption of greater industrial activity; indeed some indications of such a revival were apparent as the final quarter of the year began. Payrolls have remained steadily above 1933 levels. Business profits in the third quarter were more than 20 per cent below those for the same period of 1933, although for the first three quarters they were more than 75 per cent higher than for the same period of the preceding year. Building operations, which normally play a large part in economic recovery, have failed to show appreciable improvement.

Extreme ease has continued to characterize money markets while reserves of member banks of the Federal Reserve System have remained considerably in excess of requirements. Recent improvement in prices of government bonds—following a decline in the late summer—pointed to better feeling in financial markets. Prospects of renewed business activity were increasing in the final quarter, although still overshadowed by the poor showing of production in the so-called heavy industries.

Conditions in Other Countries

Economic improvement became fairly general in the second half of 1933, and steady recovery has continued in many parts of the world since that time. Reactions developed during 1934, however, in a number of central and northern European countries. The volume of world trade in the first half of 1934 was slightly greater than in the same period of the preceding year. Values of trade in national currencies showed pronounced increases in many cases although the total value of world trade in terms of gold declined by roughly three per cent. Reviving interest in international trade was shown by a growing number of trade and commercial treaties, of which between sixty and seventy were signed in the first seven months of 1934. This number was exclusive of approximately a dozen exchange clearing agreements between countries having restrictions upon foreign exchange movements.

Prices and Exchange

The violent shifts in exchange rates and the general broad upward tendency in wholesale prices occurring in 1933 gave way during the past year to relatively stable conditions. Price levels moved slightly lower in nearly all gold standard countries, but elsewhere moderate advances were common. A general wholesale price index for Canada advanced 4 per cent during 1934, while the estimated average increase in wholesale price indexes of six countries receiving over 90 per cent of Canadian agricultural exports was 2 per cent. The Canadian dollar appreciated in value during the year by 5 per cent in terms of the pound sterling and by 2 per cent in terms of the American dollar. This appreciation tended to impede the exportation of Canadian products to the United Kingdom and the United States and to improve the competitive position of countries whose currencies were pegged to sterling or American dollars. The gold value of Canadian dollars declined a further 2 per cent to a total of 40 per cent from the original mint par valuation. This decline was favourable to exporters shipping goods to countries remaining upon the gold standard.

Trade Barrier Tendencies

Since the failure of the Monetary and Economic Conference, held in the middle of 1933, to stem the rising tide of trade restrictions, commercial policy has become even more definitely nationalistic. Tariffs have been increased, particularly on agricultural products, and many forms of quantitative and financial restrictions have been adopted to control imports. A distinctive feature has been the tendency to negotiate bi-lateral agreements with the object of balancing more equally trade between pairs of countries. Good examples of such agreements are to be found in the treaties negotiated by the United Kingdom with Scandinavian and Baltic countries and Argentina, and also in the treaties which the United States is at present attempting to arrange with Latin American countries.

In addition to tariffs, other devices which have been increasingly used to effect an equal balance of trade between countries are quotas, exchange restrictions and clearings, compensation agreements and even private barter arrangements. There is no indication of any general disposition to remove trade barriers, although it is universally recognized that their maintenance at present levels severely limits the total of both world production and trade.

United Kingdom.—The trend towards economic nationalism in the United Kingdom is of particular significance to Canada, because of the outstanding importance of that country as a market for foodstuffs. Under the provisions of the Agricultural Marketing Acts, 1931 and 1933, numerous schemes are in operation in Great Britain which are designed to increase domestic production, reduce imports and stabilize prices at levels remunerative to the British farmer.

While the Ottawa Agreements are in effect the position of Canada and of the other Dominions in this market is safeguarded in so far as agricultural products are concerned by a guarantee of free entry as against tariffs imposed on the products of foreign countries. It is fortunate for Canada that United Kingdom production of wheat, tobacco, and to a lesser extent, apples cannot, owing to soil and climatic factors and acreage limitations, be greatly increased. These three products, together with wheat flour, in the fiscal year 1933-1934 comprised 63 per cent of exports of farm products and 43 per cent of total exports to the British market.

Poultry and dairy products from Canada, under the terms of the Ottawa Agreements, provide for unrestricted free entry until November, 1935, after which the United Kingdom Government has the right in consultation with the Dominion Governments concerned to bring such produce within a system for the quantitative regulation of supplies from all sources into the United Kingdom market or to impose duties on those products maintaining preferential margins.

The policy of the United Kingdom Government in relation to meats is to secure a development of home production and to give the Dominions an expanding share of imports into the United Kingdom. After March, 1935, cattle and meat imports will be regulated under terms to be arranged with the principal supplying countries, both Empire and foreign. Canadian bacon, however, until 1937 is accorded an annual quota of 280 million pounds of which less than one-half was utilized in 1934.

United States.—The negotiations of bi-lateral treaties has occupied a major place in President Roosevelt's program of recovery and such treaties are now being arranged with several Latin American countries. Recently a treaty of reciprocity was negotiated with Cuba, which accorded United States potatoes a large preference in the Cuban market, further reducing Canadian exports to that country.

Owing to the severe drought last summer, there is an acute shortage of feedstuffs in certain parts of the United States. To meet this situation, the duties on hay and straw, for use in drought affected areas, have been temporarily removed, and increased quantities of these products are moving across the border. There is a possibility that wheat unfit for human consumption, of which Canada has a surplus of about 40 million bushels also may be accorded free entry under similar conditions. Some shipments of this type of wheat, dutiable at 10 per cent ad valorem, have already been made.

Europe.—Canada is vitally interested in the market for wheat and feed grains in Europe. The pressure of foreign supplies of these products at low prices has been regarded by practically every European country as a national emergency and stringent curtailment of imports has been effected by means of tariffs, milling quotas, licensing systems and other forms of control. Germany, an important market for Canadian wheat and feedstuffs, has set up an imports control system for all goods, which practically prohibits trade in products for which substitutes can be found internally, except goods which can be directly exchanged for the products of Germany. Crops in Europe this year are generally below average but the market prospects are not as much improved as might be expected. Some of the principal importing countries are able to draw upon surpluses carried over from last year's bountiful harvest and existing trade restrictions in all probability will not be relaxed until there is an acute shortage.

An important factor in the present situation is the recent announcement that France intends to relax the quota system of controlling imports. This is of particular significance as France was the first country to adopt this system on an extensive scale, and her lead in relinquishing it may result in its gradual withdrawal by other countries, many of which were forced to adopt the system as a measure of self-defence.

GRAINS

From 1929 to 1933 the acreage sown to grains in Canada was fully maintained in spite of continuously low prices. In 1934, however, this acreage decreased by nearly two million acres as compared with the previous year, the decrease taking place almost entirely in the area sown to wheat. It is encouraging to note, moreover, that during the past two years the acreage occupied by feed grains has been following an upward trend, although still below the average of the past five years. During the past year the yields in most of the grain growing areas of Canada were relatively low, which fact, together with the current demand situation, will result in a substantial reduction in carry-overs of all grains at the end of the present crop year.

Wheat

A careful analysis of the wheat situation suggests that Canadian wheat growers would be well advised to refrain from increasing their acreage of common or bread wheat in 1935. Where practicable, it would appear desirable even to divert to other uses some of the land which might normally be devoted to wheat.

In the report of last year reference was made to the gradual building up of abnormal wheat stocks which had been going on for some years and to the depressing effect which this had had on world prices. Since that time there has been a marked change in the world situation due chiefly to sub-normal yields obtained over large sections of North America as well as in the Danubian countries and Australia. As a result, supplies of wheat available for export from Canada are now more nearly in line with the quantities which restricted importing markets may be expected to absorb during the present crop year.

World import requirements are estimated at from 575 to 600 million bushels. Of this amount Europe may be expected to take from 435 to 440 million bushels, while other countries will probably purchase from 140 to 160 million bushels. On this basis world requirements in 1934-35 will be about 175 million bushels less than the average imports of 1923-24 to 1927-28.

The cereal situation this year in the United States is an exceedingly important one to Canada in that the former country will not only be an unimportant factor in the world export markets but will even import from Canada considerable common, durum and feed wheat, oats and barley. The prospective demand for wheat from the United States, along with that from countries which normally import, will result, therefore, in a reduction in the Canadian carry-over.

In view of the fact that world demand for wheat continues highly restricted, together with the fact that normal production in exporting countries would probably result in surpluses in excess of import requirements, an increase in spring wheat acreage in Canada does not appear advisable at this time. This applies particularly to growers in the large production areas of Western Canada. On the other hand, experiences of recent years in many sections of the West suggest strongly the adoption of certain farming practices which, if followed, may go far to compensate the farmer for holding his wheat acreage at about its present level, if not actually reducing it. Thus, there has been demonstrated repeatedly the vital importance of maintaining liberal reserves of feed grains, fodder and seed on the farm, which practice if followed more generally might profitably occupy some of the area which otherwise might be devoted to wheat; sections which are well suited to the production of coarse grains, such as the northern parts of the Prairie Provinces, also might devote a larger area to these grains and less to wheat; an expansion of the summer-fallow in many sections of the West should improve the ultimate position of the individual farmer without aggravating the general situation as regards total production in 1935. Furthermore, there is every indication that the losses from grasshoppers in all three

Prairie Provinces will be much less severe than in 1934, due to a reduced intensity of infestation over very large areas and to the increased skill in the carrying out of control measures by the individual farmer. This means in effect that farmers in many, if not most areas, may summer-fallow more of the stubble land than they otherwise would.

An interesting feature of the wheat situation is the growing appreciation of the high quality of Canadian-grown durum wheat. Thus certain European countries find it advantageous to blend their home-grown durums, or at least some of them, with a proportion of stronger wheats of the same type. Of the latter, the Canadian product has come to be regarded as pre-eminent on account of its superior strength. Another reason for the popularity of Canadian durum is the relatively high degree of purity which thus far has characterized this wheat, a fact which should provide a strong incentive for continued vigilance.

The acreage sown to durum wheat in Manitoba and Saskatchewan, to which provinces the production of this wheat is largely confined, amounts to 2,085,600 acres with an estimated production of approximately 23 million bushels. In view of the above situation it would appear that farmers in these districts adapted to the growing of durum wheat might be well advised to concentrate more on the production of this type.

With regard to autumn wheat the acreage sown in 1934 in Ontario, where practically all this type of wheat is grown, is estimated at 663,000 acres as compared with 698,000 acres in 1933, the condition of the crop at October 31 being reported as 105 per cent of the long time average.

Oats

The present coarse grain situation in this country appears to indicate quite clearly that farmers throughout Canada generally would be well advised to sow a full acreage of oats in 1935. In certain sections of Western Canada, as already intimated, an increased acreage of oats, for fodder purposes particularly, seems to be amply justified.

In 1934 the yields of oats in the southern portions of the Prairie Provinces were exceedingly low, while the crops in the northern sections of Saskatchewan and Alberta particularly, were severely damaged by frosts and unfavourable harvest weather. As a result, there is bound to be a shortage of good seed oats in many localities in the West and farmers should not delay in making arrangements for a supply for their 1935 seeding.

In parts of the East, notably in Western Ontario, the oat crop suffered severely from drought, thereby creating a shortage both of feed oats and seed for use next spring. Furthermore, in these same areas an appreciable percentage of the new seeding of grass and clover was so badly damaged by drought that it has been ploughed up. Much of this land undoubtedly will be sown to oats in 1935 thus creating a still further demand for seed.

The unfavourable growing season throughout large areas of North America has resulted in a sharp shrinkage in the total production of oats. In the United States supplies are below the requirements of that country. It is likely, therefore, that the oats produced in 1934 both in the United States and Canada will be consumed during the present crop year and that reserves will be exceedingly small on July 31, 1935. While the area devoted to oats in Canada has been on the increase during the past three years, it is still below the average of the past five years.

Barley

The present situation suggests that the acreage devoted to barley in 1935, especially in the northern sections of the Prairie Provinces and in other sections of the Dominion to which this cereal is well adapted, might be increased.

Barley is being used more and more as a feed grain, especially in the finishing of hogs. The demand for malting barley in Canada and the United States, which has been particularly keen during the past season, is also well worth noting. While this unusual demand may be entirely temporary, yet the Canadian malting industry normally requires over five million bushels of high grade malting barley each year. While this may not represent a very large percentage of the total barley production, yet the premiums which may be expected for malting quality should be sufficient to induce farmers in suitable areas to give this crop due consideration.

At present the barley acreage and production in Canada is at a relatively low level. In 1934 the area sown to barley amounted to 3,615,700 acres, whereas during the four years from 1928 to 1932 the average area sown to this crop was 4,778,000 acres. With a domestic market believed capable of absorbing from 75 to 100 million bushels annually and with a slightly improved export outlook for 1934-35, a moderate increase in barley acreage would appear justified.

Flax-seed

The general flax-seed situation existing at present appears to justify a moderate increase in acreage in 1935, especially in those sections of Western Canada which are sufficiently free of weeds to permit the economical growing of a flax crop.

The normal requirements of the linseed industry in Canada amount to about two million bushels, whereas Canada produced in 1934 only a little over one million bushels. As a matter of fact, the trend of acreage and production in recent years has tended to place this country on an import basis as far as flax-seed is concerned. During 1933-34 imports of flax-seed amounted to 607,780 bushels as compared with 766 bushels in 1932-33.

Rye

While the 1934 rye crop of Canada was 1.1 million bushels greater than that of the previous year, the smaller supply of old rye carried into the new season and the better foreign demand suggest that a reasonable increase in spring rye acreage in 1934 would be desirable.

The acreage seeded to rye reversed its decreasing tendency which has been in evidence since 1930. The 1934 acreage was 734,700 compared with 583,100 last year. Judged by the provisional estimate, the yield per acre remained the same, reductions in the fall varieties being offset by increases in spring-sown rye. Production in 1934 amounted to 5,437,000 bushels as compared with 4,327,000 bushels in 1933 and an average production of 12,811,000 bushels from 1928 to 1932. The carry-over of rye in Canada at July 31, 1934, amounted to only 3,996,307 bushels. The shortage of rye in the United States has opened a considerable market in that country. During the early months of the 1934-35 shipping season, the outward movement of Canadian rye has been brisk. Another small carry-over seems certain and with this in mind the same forecast as was given in 1934 appears reasonable. While the United States market cannot be counted upon in years that are near-normal climatically, yet some increase in acreage as compared with last year appears to be justified. Largely as a result of the unfavourable weather experienced in the principal European producing areas, the 1934 world rye production was appreciably below that of 1933 and also well below the five-year average, 1928-1932.

Buckwheat

It would appear that this crop deserves greater consideration in those sections to which it is adapted than it has been receiving in recent years.

In 1934, a total of 407,200 acres were sown to buckwheat compared with 398,300 acres in 1933 and 421,663 acres, the five-year average 1929 to 1933. The principal areas of production are found in Ontario, Quebec and New Brunswick. The Canadian production in 1934, according to the second estimate was 8,793,000 bushels compared with 8,483,300 bushels in 1933 and a five-year average, 1929 to 1933, of 9,039,420 bushels. Exports in the past crop year amounted to 465,459 bushels compared with 874,906 bushels in the previous year.

Corn

The estimated increase of 30 per cent in Canadian corn production recovers only a small part of the decline which has taken place in the production of this grain during the past three years. The prospective short supplies of other feed grains at the end of July suggest that an increase in corn production in 1935 might be a helpful tendency.

The acreage of corn for husking is practically confined to Ontario. 161,100 acres were sown in 1934, a significant increase compared with the 1933 acreage (136,600) and the five-year average, 1928 to 1932 (123,000). The production reached 6,589,000 bushels compared with 5,054,000 bushels in 1933. The domestic corn production in 1933 formed only 43.7 per cent of the total corn consumption in the crop season 1933-34. Imports amounted to 6,515,163 bushels, principally originating in Argentina and United States due to the failure of the South African crop. One of the best grain corn crops in several years was produced in 1934. Growers in southwestern Ontario will have a large amount of good feed and good seed corn for sale in the spring of 1935.

SEED GRAIN, ALFALFA, CLOVER AND GRASS SEED

Seed Grain

Seed grain supplies may be said to be satisfactory throughout Eastern Canada. In western Canada stocks may be adequate, but it will be necessary that immediate attention be given to the assembling and distribution of available supplies. Should such supplies be found to be inadequate they may be supplemented from surplus stocks of seed, especially oats, now available in eastern Canada. It is believed that the production of pure seed grain from inspected crops may be maintained profitably at present levels.

Wheat.—It is considered that there is sufficient seed wheat on hand in both Eastern and Western Canada to satisfy local requirements although it may be necessary to meet the problem of shortage in certain areas by assisting distribution from districts having a surplus. The successive years of crop failure in certain wheat areas of the Prairie Provinces has necessitated the distribution of seed wheat in large quantities, much of which was not pure as to variety.

To effect a re-establishment of the quality of Canadian wheat for export it is important that the production of pure seed of Marquis or other varieties of wheat of superior milling quality be increased during the next few years. It is estimated that in 1934, 288,500 bushels of registered wheat were produced on Canadian farms as compared with 105,000 bushels in 1933 and an average of 168,500 bushels for the five years 1927-1931. The market for seed wheat of a high degree of purity through the seed exchange policy in effect in the three Prairie Provinces, if continued from year to year, should take care of any surplus production.

Oats.—While the Maritime Provinces and British Columbia are believed to have only sufficient seed to meet local needs, Quebec, Ontario and Alberta are credited with surpluses of 200,000, 400,000 and 1,000,000 bushels, respectively. Due to drought and early frost it is estimated that Manitoba faces a shortage of approximately 100,000 bushels while, due to similar reasons, it is estimated that Saskatchewan is some 1,450,000 bushels short of local needs.

Superior quality oats for milling as well as for seed purposes are derived from areas in both Eastern and Western Canada, within which oats are produced as an important if not the principal cash crop. A material increase in the production of registered seed oats occurred in 1934, the production for that year being 445,900 bushels as compared with 156,800 bushels in 1933 and an average of 185,000 bushels for the five years ending 1931.

While the demand for pure variety seed oats remains reasonably constant from year to year, considerable variation occurs in production due largely to climatic conditions. Since any existing surplus of oats suitable for seed purposes commonly commands a premium for milling purposes it would seem worth while to continue the production of pure variety oats from inspected seed crops.

Barley.—One of the outstanding factors in the seed barley situation throughout Canada is the keen competition between brewing and seed interests to secure the available supply. While the provinces of Quebec and Ontario report small surpluses, the Prairie Provinces may have a shortage of seed supplies. The uncertainty of the situation has been increased by a demand for good malting barley in the drought areas of the United States with the result that a shortage for domestic needs is highly probable.

The production of barley from inspected seed crops in Canada in 1934 is estimated at 126,000 bushels as compared with 114,400 bushels in 1933, and an average of 39,700 bushels for the five years 1927-31.

Although a repetition of the present unusual situation cannot reasonably be expected, it would seem advisable to increase in Canada the acreage devoted to the production of barley of high quality as compared with the crop year of 1934.

Rye.—Fall and spring rye are likely to be found increasingly useful as feed crops in those parts of the Prairie Provinces which have been submitted to recurring periods of severe drought and soil drifting. Lack of seed, however, often acts as a serious limitation to the acreage of these crops. The production of fall rye is usually more than adequate for seed purposes, but most of it is disposed of early as commercial grain. The production of spring rye, on the other hand, is very limited and seed is rarely obtainable. Farmers desiring to grow these crops should plan to produce their own seed.

Corn.—Corn in Canada is grown largely for fodder purposes, production being confined to Ontario, Quebec and certain parts of the Prairie Provinces. Seed corn is produced largely in southwestern Ontario where a seed crop of 1,200,000 bushels has been harvested. This is more than an adequate supply for requirements in Eastern Canada. The needs of Western Canada are met in part by local production and in part by supplies brought in from the United States. A good market should be available for growers in Western Canada who can produce early maturing seed corn of the ensilage strains of western varieties.

Clover, Alfalfa and Grass Seed

Prospects appear bright for the profitable production of high quality seed of most of the clovers and of timothy in Canada for some years to come. In any case the average farmer will likely find it more profitable to grow some seed for home use than to buy all of his requirements on the open market. In this connection it is noteworthy that during the period of the depression prices of most of the clovers and grasses have been maintained relatively well as compared with the prices of many farm products.

Present supplies of clover and grass seeds on the North American Continent are the lowest for some years. Canada has approximately one-half of her usual requirement of timothy and red clover seed and a lesser proportion of her normal requirement of alsike seed. Stocks of alfalfa seed are somewhat below ordinary requirements while supplies of sweet clover are deemed sufficient to meet domestic needs. The United States is reported as having less than one-third of her normal requirements of timothy seed and a shortage of red clover and alsike seed. Information as to production in Europe would indicate that there will be only a small quantity of red clover and other seeds available for export to North America.

Red Clover.—With a visible supply of red clover seed amounting to some 2,000,000 pounds and an estimated normal domestic consumption of some 3,800,000 pounds, together with a probable demand from certain drought areas of the United States, it is expected that available supplies will be exhausted following the spring seeding of 1935. Due to the fact that growing conditions in many areas of production during 1934 were adverse because of the extreme drought, the prospective seed supply from the 1935 crop may be below average, even under favourable climatic conditions for seed production.

While prices of red clover seed may be affected by the amounts of other forage crop seeds available, Canadian seed growers may be assured of a reasonably strong market for all of the red clover seed that they can produce of a quality than can be cleaned to grade No. 1. The average price of red clover seed to Canadian growers for the past five years has been about 16 cents per pound, basis No. 1 grade. A substantial advance in price occurred during 1934.

Alsike.—Production of alsike seed in Canada has declined materially during the last few years due to the imposition of tariffs and trade restrictions in various foreign markets. As a result of a poor catch of seed in 1933 and of severe winter killing, production in 1934 was greatly reduced. It is estimated that only 500,000 pounds is available to fill a normal domestic requirement of some 1,500,000 pounds. Throughout the greater part of the alsike producing areas in Ontario the recent autumn rains have greatly improved the prospect for a crop in 1935. Owing to the present world shortage, the prospective market for alsike seed from the 1935 crop may be even stronger than for red clover, so that the outlook for the 1935-36 alsike seed market would seem to warrant production in Canada substantially above the average of the last three years, provided that care is taken to ensure superior quality. At the end of 1934 prices of alsike seed, basis No 1 grade, are about 30 cents per pound as compared with about 10 cents per pound during the last five years.

Alfalfa.—Alfalfa seed production in 1934 at about 2,000,000 pounds was slightly below the average production for the five years 1929-33. While the intensity of drought throughout the alfalfa producing areas of North America destroyed much of the new seeding, alfalfa in Canada suffered less injury than red clover and alsike. The area available for alfalfa seed production in 1935 may be, therefore, comparatively larger than that for clover crops. The effect of the marked depletion of forage crop seeds in general has been reflected in

alfalfa seed prices during 1934. While during the past five years growers have received from 12 to 15 cents per pound for alfalfa seed that would clean to grade No. 1, prices at the end of 1934 advanced to as high as 23 cents per pound. The quantity of alfalfa seed produced in Canada in recent years has been less than the home market could absorb and it is desirable that production be substantially increased.

Sweet Clover.—The normal domestic requirements of sweet clover seed are estimated to be about 3,000,000 pounds annually. Production during recent years has averaged about 4,000,000 pounds, leaving an annual surplus of some 1,000,000 pounds over domestic needs. Some of this surplus is usually exported to the United States, although the demand there has been small within recent years. While sweet clover seed prices during the past five years have averaged about 3 cents per pound, basis No. 1 grade, due to the general world shortage of grass and clover seeds prices in the latter part of 1934 ranged from 4 to 6 cents per pound. There is a reason to doubt whether, under normal climatic conditions for the production of other forage crop seeds, market values for sweet clover seed will be sustained at this high level. Any substantial increase in the production of sweet clover seed in Canada, therefore, is not believed to be desirable.

Timothy.—While production of timothy seed in Canada has greatly increased during the past few years, amounting to about 5,000,000 pounds in 1934, Canadian growers are still dependent on outside sources for a large part of their annual requirements which normally amount to about 10,000,000 pounds. Due to the light crop in the principal timothy seed producing areas of the United States in 1934 on account of drought, prices of timothy seed in Canada have risen as high as 21 cents per pound as compared with an average price of about 10 cents for No. 1 grade for the past three years. While the present high prices for timothy seed ought not to be interpreted as indicating that an abnormally strong demand will prevail indefinitely, Canadian timothy seed producers may to advantage take particular note of the rainfall as it occurred from month to month in the principal timothy seed producing states in 1934. Since the soil moisture reserve in this area was seriously depleted, the 1935 production of timothy seed in those states will depend to a considerable extent on the rainfall between now and next June. Should the rainfall continue at less than normal, a corresponding strength in the market for timothy seed in 1935 and 1936 may be expected.

Brome, Western Rye Grass and Crested Wheat Grass.—The production of these grasses in Canada is confined largely to the Prairie Provinces. Western rye grass has lost popularity during recent years and is being replaced by brome and crested wheat grass. Brome grass is adapted to those areas where rainfall is uncertain and crested wheat grass is regarded as particularly valuable in the drier sections of the plains area. The seed of both brome and crested wheat grass is produced most satisfactorily, however, in those parts of the Prairie Provinces which have reasonably favourable moisture conditions. A greater production of the seed of both of these grasses seems warranted.

Other Grasses.—Due to two successive light crops, supplies of Canada blue grass seed have become very low. The demand for this seed, however, is not heavy and would be more than met by another normal crop. The production of bent grass seed (brown top and creeping) which is confined largely to the Maritime Provinces has been reduced to small proportions in recent years on account of poor demand and low prices. Since the principal use for these seeds is in turf grass mixtures, the demand varies more with economic conditions than in the case of the more strictly agricultural grass seeds. It is expected that their production should become more profitable with general economic recovery.

THE FEED SITUATION

There are several factors which will influence the feed situation in Canada in 1935. Feed reserves will be considerably less than normal owing to low yields in 1934, domestic requirements in drought areas, and strong export demand from the United States. Meadows and pastures in large sections of Eastern Canada, which were newly seeded in 1933, and also in 1934, will show the effects of subsequent adverse climatic conditions. The restricted seed supplies of grass, clover and alfalfa, coupled with high prices, is expected to reduce the acreage of these crops which will be seeded in 1935. In the drought areas of the Prairie Provinces, less summer-fallowed land than usual, and low reserves of subsoil moisture, are unfavourable conditions for the seeding of grasses and legumes. To these adverse factors may be added also the possibility in 1935 of some crop destruction in the Prairie Provinces from grasshoppers and cutworms, and to a lesser extent, in a part of the province of Quebec, from white grubs.

Grasshoppers, which took a heavy toll of forage crops last year in the Prairie Provinces, are expected to be less troublesome in 1935 than in 1934, on account of a reduction in the intensity of infestation in all three provinces, the smaller number of eggs to be found in stubble land, and the greater skill on the part of the farmers in carrying on control campaigns. The pale western cutworm is expected to be present again over wide areas in Saskatchewan and Alberta, if moisture conditions and weather for growing crops in the early part of the season are not above average, considerable losses may be expected in certain large, though scattered, localities. Wherever grasshoppers and cutworms are known to be present, tillage and seeding practices should be followed which are in keeping with recommended methods of control.

Maritime Provinces

Hay fields in the Maritime Provinces suffered severely from drought during the past season. New Brunswick fared better than Nova Scotia and Prince Edward Island. In these latter provinces the yield of hay on the whole was about 30 per cent below the five-year average, 1928 to 1932. Pastures were very poor in August and September, but fall rains relieved the situation considerably, except in certain areas of Nova Scotia. A good average crop of coarse grains was harvested in Prince Edward Island, but production in the other two provinces was a little less than average. Because of poor germination in the spring and subsequent drought, field roots throughout the Maritimes yielded about 6 per cent below the five-year average.

Limited feed reserves and the unsatisfactory condition of small seeds sown in some sections in 1934 will necessitate special attention being given to forage crops next year. An increase in the acreage of annual hay crops, such as oats or peas and oats, and a larger acreage of coarse grains and field roots would appear to be desirable. Next year's grass and clover seed should be sown on land which has received especially good preparation to ensure a catch. A more general use of lime on acid soils would materially help forage crop production, especially in the case of clovers and alfalfa.

Quebec

Generally speaking, the feed situation in Quebec is regarded as satisfactory. The hay crop was somewhat short in some places, notably in the Eastern Townships and the Ottawa Valley while a surplus of hay was produced in the province as a whole. On the average the quantity of hay on hand is adequate. This applies also to coarse grains, ensilage corn and field roots. While pastures were very dry and unproductive in August, there was a marked improvement during the months of September and October as a result of better moisture conditions.

Considering the improvement in prices of coarse grains, and the fact that the annual production is considerably below local requirements, there is reason to believe that a larger acreage of oats and barley could be grown to advantage, as a means of reducing the cost of purchased concentrates. In that part of the province south of the St. Lawrence river between Montreal and Quebec it would be advisable to increase the acreage of all forage crops seeded in 1935. This is necessary in order to offset the shrinkage in yield of corn, timothy hay and pasture, which is likely to occur on many farms over a large portion of this area, due to the widespread outbreak of the white grub which is looked for during the forthcoming season.

Ontario

Depleted feed reserves, an exceptionally short hay crop due to winter killing and drought, and extensive failures of new seedings of grasses and clovers resulting from extremely dry weather in the early part of the season, indicate that the feed problem will be prominent again in 1935. The hay crop in Ontario in 1934 has been estimated at about one-half of an average crop. The effect of the drought in reducing the yield of hay was most pronounced in the western and southern sections of the province, but nearly every county reported a shortage. The seriousness of the situation was mitigated, however, to a considerable extent by late rains which improved the fall pastures, increased the yield of late cut alfalfa, and greatly benefited the field roots and corn. Coarse grains were better than last year, but still under the five-year average. Turnips and mangels have yielded much more heavily than in 1933. Owing to a much larger acreage of corn than usual and favourable growing weather during September, the total yield of this crop in 1934 was probably higher than that of 1933. Soya beans too, grown as a fodder crop, materially increased the feed supply.

The feed situation in Ontario suggests the advisability of seeding an acreage of annual hay and fodder crops in 1935, sufficient to ensure adequate supplies of feed. In addition, the usual amount of grasses and clovers should again be seeded if possible. The greatly increased cost of feed, due to limited supplies and export demand, will tend to reduce the usual acreage of new seedings of grasses and clovers. On the other hand, a fair supply of alfalfa seed is in prospect. The excellent showing made by this crop for feed during the very dry period in the last two years strongly suggests that alfalfa should be used more extensively than it is at present, especially in those areas to which it is well adapted. Suitable annual hay crops for Ontario are oats, peas and oats, and oats and sweet clover. Sudan grass, soya beans and rape will prove helpful also in sections of the province to which they are adapted.

Manitoba

The feed situation in Manitoba was much worse in 1934 than in 1933. The area affected by severe drought was more extensive, including as it did much of western Manitoba as well as the entire southwestern part of the province. Soil drifting was prevalent in these areas and grasshoppers destroyed much of the crop. In the extreme southwest, all crops were a complete failure, and in central and western Manitoba both cultivated and wild hay produced very light yields. Another important factor in the area affected by drought was the extremely light crop of oats and barley and the inferior quality of the grain. Northern and eastern sections, on the other hand, had excellent growing conditions, fairly good yields of hay and coarse grains being obtained. In the southern part of the Red River Valley the acreage of corn was larger than usual, and in spite of the drought gave relatively good yields, once again proving the value of this crop as a feed insurance in dry years.

The chief concern of farmers in the drought area during the late fall was to get enough roughage together to maintain their live stock throughout the

winter. In this they were hindered by rains in late September. On the other hand, these rains, followed by fine weather, were very beneficial to pastures and proved a saving factor by supplying good fall grazing, thus conserving the limited feed supplies and putting animals in a much better condition to withstand cold weather than they would have been otherwise.

In view of the adverse feed situation in a large section of Manitoba, it would seem advisable that next spring farmers in feed deficient areas should consider the seeding of oats as early as possible on summer-fallow or other previously prepared land, so as to provide a crop which can be cut early in the season for feed. Annual hay and fodder crops such as oats, mixed grains and corn must be depended on chiefly to supply the bulk of the feed in 1935. At the same time the acreage of perennials and biennials such as sweet clover, brome grass and alfalfa should be maintained or increased. These crops, however, are not easy to establish in dry areas. Their value is directly related to the normal supply of available moisture. Although moisture conditions were most unfavourable for sweet clover and perennial crops last season, and rather disappointing for the past two or three years, the precipitation in Manitoba, except in the extreme southwest part of the province, is normally such that these crops should occupy a larger place in farm rotations than they do at the present time.

Saskatchewan

Due to an unprecedented combination of drought, soil drifting and destruction of crops by grasshoppers and cutworms, which resulted in complete crop failure in a large section of the province and a near crop failure in others, the feed situation is very critical and constitutes a most serious problem. Out of 250 municipalities in Saskatchewan for which data are available, 104 were short of feed with a possible shortage in 19 others, 109 had only sufficient for local requirements and 18 reported a surplus. The above does not include the areas north, east and west of Prince Albert where feed supplies were adequate or more than adequate. In the worst affected areas live stock were liquidated in large numbers while an effort was made to maintain sufficient horses on each farm to ensure the necessary power for farm work, and a limited number of the best cows for a herd nucleus and to provide milk and butter. The situation is being met in many feed deficient areas by shipping in straw, hay and grain or, as an alternative, by sending the animals north for the winter to locations where feed is available.

The oat crop was either a total failure or negligible as far as grain production is concerned over the entire southern half of the province and also the western half as far north as Saskatoon. In the north and northeast sections of the province a fair to good crop of coarse grain was harvested. In certain sections there was a considerable surplus of threshed feed oats and frosted feed wheat. This surplus will be used in large amounts in the drought areas farther south. Oats and wheat will be used extensively for supplementing the poorer kinds of roughage for cattle and horses.

It will be a matter of first importance to ensure, as far as possible that feed for horses will be available early in the season of 1935 for summer-fallow work and harvesting, and that feed reserves shall be built up as rapidly as possible. An early hay crop can best be assured by the early spring seeding on summer-fallow of oats, wheat, and spring rye grown singly or in combination. A fairly substantial acreage should be sown at an early date when moisture conditions are most favourable for germination and growth. After wheat seeding is completed, if moisture conditions are at all favourable, the acreage of annual hay crops should be expanded on well prepared second crop land in order to produce feed reserves. Since hay and roughage does not deteriorate when properly stacked in the open, a reserve supply of feed sufficient for at least two years

may well be the objective on every farm. Fall rye should be used more extensively in drought areas, especially on the lighter soil types, as one means of controlling soil drifting and to provide early and late pasture, roughage and feed grain.

An increased acreage of cultivated grasses, alfalfa, and sweet clover is highly desirable. This is more feasible in the park belt than in the drought areas where these crops will be difficult to establish until the return of more favourable moisture conditions. An expansion of the alfalfa acreage in the park belt is especially desirable. As soon as seed of crested wheat grass is available in commercial quantities at reasonable prices, this crop can be used to advantage in drought areas for permanent regressing and for hay and pasture.

Alberta

A feed deficient area of about 50 municipalities extended from Medicine Hat north for a distance of about 170 miles and northwest almost to Red Deer. In this area, much of which is devoted to ranching, there was a serious shortage of grass, hay and grain for winter feeding. Another section of approximately the same size, lying northwest of Edmonton and east to the Saskatchewan boundary, had a surplus of grass and grain hay, straw, and feed grains. Elsewhere in the province feed supplies are sufficient except on range lands in the south where pastures were short and winter feed scarce.

Suggestions for augmenting the feed supply, as outlined above for Saskatchewan, may be taken as applying also to Alberta since there are zones in each province which were comparable in 1934 with respect to moisture conditions.

British Columbia

The feed situation in general is considered satisfactory. An exceptionally heavy hay crop was harvested on the lower mainland and parts of the Island. Pastures showed the effect of hot weather in August but later they came back to normal. With grains selling at higher prices it is probable that there will be less purchased from the Prairie Provinces than in previous years.

LIVE STOCK

Beef Cattle

A serious obstacle to improvement in cattle prices in 1935 is the possibility of the marketing of many half-finished cattle early in the year. Total supplies will be heavier than in 1934 and an improvement in prices of good cattle during the early winter of 1935 may be expected with some prospect of stable prices for the better grades throughout the year. It would seem to be a better policy to rough cattle through to pasture, unless the feed supply permits of reasonably good finish. World production of beef is now on the decline, owing to restriction of export outlets and prices so low as to scarcely meet production costs. Nothing is to be gained by sacrificing good types of young beef stock in an unfinished condition, but a program of steady weeding out of poor-doing stock should be carried on systematically. The demand for fed-calves is increasing, which is a reflection of consumer demand for small cuts and joints. Unfortunately too many are of medium quality and if quality continues to decline as numbers increase the net result will be an appreciable drop in average returns to the producer. Economic conditions in the industry demand a much quicker turn-over of investment in cattle but a successful issue of such a policy involves a much more liberal use of feed.

Production.—A comparison of cattle holdings as of June 1, 1934 with the rate of inspected slaughterings to the end of the year indicates that increases in killings have not been sufficient to parallel production increases. The larger

holdings occur in Saskatchewan, Alberta and British Columbia. A considerable volume of cattle from drought areas will be returned to point of origin at the opening of the next grazing season. The time and extent of the return movement will be contingent upon seasonal conditions as regards pastures, and there is a possibility that it may be practicable to return cattle only to those areas where drought conditions have not been generally experienced during recent years.

Winter conditions in the range country of Alberta, except the foothills, are more or less precarious. Range cattle have gone into winter quarters in better flesh than in 1933, but in many areas grass is short, and roughage and grain scarce and high in price. Should the winter be reasonably favourable, ranchers will be able to carry their cattle through in fair condition, but should the winter be severe, losses may be considerable. In the general farming districts, except in the east-central part of the province, there is sufficient roughage and feed to carry cattle through and at the same time produce a fair volume of good beef for the spring and summer markets. Ranchers in that part of the range country which was dried out in 1933 were in the market for feeder cattle during the past autumn. By the close of 1934, the bulk of the heavy range steers and fleshy two-year-olds were well cleared, but a large percentage of the calf crop was held over for grass because of unsatisfactory prices. A scarcity of good beef during winter and early spring is anticipated, and this was reflected in the preference shown for well-forward feeders during the late autumn.

The province of Saskatchewan has ample feed and roughage north, east and west of Rosthern, but elsewhere about half of the municipalities have only sufficient for local requirements, and the remainder, embracing the range area, shows a marked shortage. Owing to high grain costs and a good cash outlet for grain, intentions to winter-finish on grain are moderate. So-called professional feeders, operating in the vicinity of public stockyards, are reported as holding fewer cattle than usual, because of uncertainty as to the trend of feed costs. Notwithstanding an unusually large volume of frosted grain of good feeding quality but low market value as grain, in practically all northern municipalities, hogs may get the preference, and the output of winter-fed cattle promises to be smaller than in 1933. The fact that the drought area included many municipalities where usually a liberal volume of the best cattle is produced would seem more or less to confirm the belief that fewer cattle are being fed.

In Manitoba marketings were very heavy in the closing months of 1934 and the surplus was reduced to a marked extent, particularly of the lower grades. The increase in movement was stimulated by the condition of the Winnipeg market, both in respect to steady, if low, prices, and ability to take care of rather heavy shipments. The uncertainty of the feed situation has been responsible for a curtailment in winter-finishing, as manifest in smaller numbers in the hands of feeders in the Swan River district and other districts usually prominent in fed-cattle output. Any substantial improvement in prices may precipitate heavy runs of half-finished cattle.

Beef cattle holdings in Ontario were reported as being 2.0 per cent lower on June 1, 1934, as compared with 1933. There was an increase in the shipments of western cattle, largely for slaughter, and the total movement of store cattle into the western part of the province was even smaller than during the previous year. During the closing months of the year, the better qualities of stockers and feeders were moving in increased volume, as farmers found themselves in a more favourable position with respect to feed than was expected earlier. Producers were able to hold back a large volume of their cattle, and in many cases did so in expectation of improvement in winter prices. Ontario, with the exception of hay, has good supplies of roughage, and in respect to the feed situation as a whole, is in as good a position as a year ago. The high price obtaining for grain during the late fall was regarded as a depressing element in prospects for beef production. Undoubtedly, these factors act as checks to the output of

fed-cattle, encourage the movement of partly finished stock, and increase the number roughed through for grass finish. The danger lies in the possibility of a considerable run of partly finished stock at the first sign of any marked change in the market. The expectation is that the movement of grain-fed cattle during the spring and summer of 1935 will prove adequate for both the export market and the best part of the domestic trade supplied by officially branded beef.

The province of Quebec has become more dependent upon outside sources for its supplies of good cattle and good beef, and since the increase in the United States tariff a regular movement of beef and cattle from the western provinces to the east has developed. There is plenty of feed and roughage in Quebec, including hay, and the shortage in the United States is causing some selling of hay for export. There would seem to be ample feed and roughage to carry cattle through to another grazing season.

The feed situation in the Maritime Provinces is somewhat unfavourable. There has been some reduction in cattle holdings, but heavy declines are not anticipated, although possibly there may be a small decrease, due to selling of cattle under distress conditions. This is particularly true of the province of Nova Scotia, where the bulk of the cattle affected have been females of breeding age. The autumn was very favourable, and cattle went into winter quarters in fairly good condition.

Marketings.—There were increased marketings in 1934 by all major beef cattle producing provinces, with the exception of Ontario, and the larger movements, occurring during the latter half of the year, were well taken care of by the trade. Beef moved very freely, much more so than other meats, on account of its relatively low price. Packers also had an improved export outlet for moderately priced beef. Prospects are for a further liberal movement of cattle during 1935, and possibly under somewhat better all-year demand conditions than in 1934.

Prices.—During 1934, cattle prices showed more stability and were somewhat higher than in 1933, but price levels did not reach a point comparable with those of hogs and lambs, nor with those of eggs and a number of other staple commodities. Due to shortage of feed, costs may be higher, fewer cattle finished and this situation may be reflected in high prices. However, prices will depend mainly upon the relation of cattle consumption to pig and lamb consumption in the domestic market, opportunities and price levels in the British market.

Cattle on farms and ranches in the United States have been reduced by ten million head as compared with a year ago and higher prices are predicted for cattle of good finish and reasonably high dressing percentages. The prospect for cattle, medium to poor in quality, is not any better than in 1934 excepting on the basis of a possible shortage in beef tonnage. As in Canada, the spread between cattle of high dressing percentage and cattle of low dressing percentage was wider in 1934 than in some previous years and this situation is likely to prevail in 1935. In general, the outlook is fairly favourable and should affect the situation on the North American Continent as a whole.

Export Market.—During 1934, exports of live cattle and beef were somewhat heavier than in 1933. Canada has been asked by the British Ministry of Agriculture to co-operate by stabilizing her exports of cattle and meats for the first quarter of 1935 at the same volume for the corresponding period of 1934. The policy of the United Kingdom after the first quarter is yet to be determined, and the whole situation is to come under further review, following which an announcement of a more permanent policy may be expected. Despite the bonus available on certain types of domestic cattle, the British farmer is not satisfied with his market and is asking for further assistance toward

placing the industry on a more profitable footing. The prospects for export from Canada appear to be about equal to those of 1934, although probably there will be more cattle suitable for beef and store demand in the United Kingdom.

Domestic Market.—The increase in consumption of beef manifest in 1934 promises to continue, notwithstanding the possibility that prices may be at somewhat higher levels, under improvement in the general economic situation. Top cattle, which might be called the legitimate product of the industry, have in recent years found their strongest support in the demand for officially branded beef and in the United Kingdom market. While there does not at the moment appear to be any probability of a material increase in exports of live cattle to the United Kingdom, there is every probability of an increased consumer demand for branded beef. At the moment, the trade would seem also to have improved outlets for cheaper classes of meats, and this situation, it is hoped, will continue during 1935.

Hogs

Prospects for a moderate increase in bacon exports to the United Kingdom in 1935 are contingent on the maintenance of a high percentage of finished hogs of select and bacon weights. Hog feed costs are higher and there may be some tendency to market pigs in an unfinished and underweight condition. The average price paid for Canadian bacon is a measure of the average quality of the hog carcasses exported, and the extra feed necessary to produce good finish pays for itself. Maximum support from the domestic market is also essential to the maintenance of good prices and can be secured partly on the basis of a further improvement in the quality of bacon, a task for both producer and packer.

Production.—In the autumn of 1933, producers' intentions were to increase hog production materially, but some were partly prevented by shortage of feed, and others were influenced adversely by a temporary break in the hog market. During the autumn of 1934, there was a heavy liquidation of sows in the Prairie Provinces. Producers with poor crops or with none at all were forced either to reduce or to sell out their herds. Additional sows also had been included in breeding herds in good crop areas, and the seasonal culling resulted in a higher percentage of sows in total sales. In dried-out areas, many additional sows were bought early but had to be liquidated later, on account of adverse feed conditions and the need for cash. Production is higher in Quebec but Ontario showed a decrease of 6.4 per cent in hog numbers on June 1, with a similar decrease in Prince Edward Island, and somewhat lesser reductions in Nova Scotia and New Brunswick.

In the province of Alberta, most areas where hogs are generally plentiful have sufficient or surplus supplies of feed grain. Some pickup in marketings, therefore, may occur during the fore part of 1935, and if the price of hogs during the closing months of 1934 shows a tendency to strengthen, there should be a moderate increase in breeding.

In the province of Saskatchewan, the hog output is also largely from areas where the 1934 grain crop was reasonably satisfactory or yielded a surplus and in the north where production has been increasing during recent years. Crop districts in the south which are bare of feed are, with one exception, not heavy producers of hogs. These drought areas are, however, a depressing factor. Breeding was checked somewhat in the autumn of 1933 by a break in hog prices and there was some curtailment owing to a scarcity of feed. Pigs came out somewhat late in the autumn of 1934 because producers held their stock for finishing on the new crop. Marketings at the beginning of 1935, therefore, may show some pickup through delayed deliveries. Higher grain prices have been an inducement to sell coarse grain, but the prevalence of a larger sup-

ply of weathered and frosted grain may be expected to result in stronger regional interest in hog production and some increase in output during the latter part of 1935.

Manitoba pig marketings during 1934 showed a moderate decrease, but reports indicate an even more substantial decline during the fore part of 1935. Producers' intentions in the summer of 1934 were to finish pigs on hand but to curtail future operations in view of the unsatisfactory feed situation. Reports of decreases are largely from the southern part of the province. This would indicate light supplies throughout spring and early autumn. The price of hogs during the autumn breeding season may result in some increase in pigs marketed during the latter part of 1935.

Ontario has a good supply of feed barley and oats in many important hog producing areas. However, indications of short holdings in a number of counties, including Perth, Huron, Bruce, Kent and Lambton, of high mortality in some areas, some excessive marketing of sows, and high feed costs may result in a very small prospective increase being turned into a decrease. Official statistics reported 126,000 sows to farrow during the six months ended November 30, which is fairly good prospective pig volume for the early part of 1935, although somewhat less than a year ago. Prospects for the last six months of 1935 depend upon feed and price conditions during the fall and winter breeding period. The farmer has no better prospective source of income than hogs, but there is some tendency to sell grain because of attractive prices.

An increase of 30,000 head in hog production in Quebec was reported as of June 1, 1934. This increase of 14 per cent makes Quebec less dependent on Ontario and Alberta, and there is a general feeling that there will be a further expansion, should prices not suffer a setback at the close of 1934.

In the province of New Brunswick, the feed situation is about normal and prospects are for some increase in swine production, as prices are favourable to increased breeding. Demand for suckling pigs and pure bred breeding stock has been quite good. Marketings of Nova Scotia hogs are expected to hold fairly steady, with prospects for a slight increase in production for 1935, as prices have been favourable and demand quite keen. Prince Edward Island hogs which seem to be about normal in number, have been moving at top weights, and were very well finished, as a result of encouraging prices. The expectation is that a fairly favourable feed situation, coupled with heavy stocks of potatoes selling at low prices, will stimulate breeding of brood sows. British Columbia hog production on June 1 was below the 1933 level and under the five year average of 1929-33.

Prices.—During 1935, price levels will be determined largely by the condition of the British bacon market. Further curtailment of total imports of bacon into the British market is probable, but in so far as Canada is concerned, the Ottawa Agreements assure continued opportunity for expansion of exports. As to the level of prices which will obtain, the situation is uncertain, but it should be expected to be such as to permit a moderate increase in the exports of Canadian bacon over those of 1934.

The United States Department of Agriculture predicts the smallest output of hogs during 1935 in twenty years. Such a cut in production, combined with higher feed costs, a condition likely to result in a further reduction in total pork tonnage, may be considered as constituting a favourable price outlook. Hog numbers in other important hog surplus countries promise to show further decreases. Shifts in production have resulted from import restrictions and production control programs.

Consumption.—Pork sold at higher rates than in 1933, and experienced strong competition, from low priced beef. Consumption for 1934 has not yet been estimated, but it is obvious that consumers in Canada ate much less pork than in 1933. Consumption during 1935 should show some increase over 1934, if the expected recovery in beef occurs.

Sheep and Wool

Disposal of the annual lamb crop is through domestic channels. Prices have been reasonably profitable because of a comparatively moderate supply, coupled with an increasing degree of quality. If, as is expected, a further expansion of production occurs, the maintenance of prices can be secured only on the basis of at least present quality levels. The current feed situation is not as favourable as could be desired for the production of a high degree of finish in commercial stock. Lamb has very successfully competed with other meats during the past twelve months or more. In this there has been demonstrated the willingness of consumers to pay relatively good prices for a dependable article. The inference in respect to future marketing is obvious.

Sheep and Lambs

Production.—Sheep and lamb production shows a slight increase, due to some expansion in the Prairie Provinces and British Columbia. The eastern provinces show decreases as compared with 1933. Aside from the increases in sheep ranching areas, the expansion of the sheep industry in certain parts of the western provinces is probably due to drought conditions during recent years, as sheep have proven their ability to make good returns under most difficult circumstances. The available supply of five-year-old ewes from range areas has also made it possible to expand sheep raising in grain farming areas adjacent to ranching country.

In the East, a larger percentage of sheep raisers are organizing their breeding operations for the production of earlier lambs. This is more evident in Ontario than in the other eastern provinces. The upward swing of lamb prices, which took place after September 1933, has influenced many farmers to market their lambs more carefully. There is also a growing interest in sheep raising among junior farmers. The ease with which quality ewe flocks can be established from well bred ewe lambs is facilitating their establishment in many districts.

Marketing.—The total of sheep and lambs slaughtered at inspected packing plants during ten months ended November 1, 1934, was about 5.5 per cent smaller than for the corresponding period of 1933. This was due partly to a smaller lamb crop in sections of Western Canada, owing to adverse weather conditions during the lambing season, and partly to the keeping over of a large number of ewe lambs to replace aged ewes which had been disposed of locally. The ease with which sheep can be slaughtered and marketed at country points, particularly near tourist resorts, and the growing popularity of lamb as a meat during the summer months have tended greatly to increase farm and local slaughtering of lambs, and this is undoubtedly a third cause for the reduction in slaughtering at inspected packing plants. The demand for fat lambs of good weights was well maintained throughout the spring and summer months of 1934, and packer demand for fat lambs to put into store was exceptionally good. It is anticipated that demand for well-finished lambs of good weights will be active throughout the winter and spring months and that prices will be well maintained. The supply of range feeder lambs in feed lots is approximately the same as a year ago. A larger percentage of range lambs appear to have been reasonably well finished but many have gone for slaughter even though a little thin. A very considerable percentage of range feeder lambs are carrying a fair amount of finish and will be ready for market early in the new year. Store supplies of lamb in packers' coolers are not burdensome and, with a large demand, it is expected that the supply of store lamb and feed-lot lambs will be barely sufficient to carry the trade forward into the 1935 lamb season. Lamb prices have been comparatively attractive and this should tend to develop an increase in spring lambing. Prospects indicate some further increase in the Prairie Provinces.

Wool

There was a great deal of optimism at the beginning of the 1934 wool season. The 1933 clip had been practically all disposed of, and during the spring of 1934 the demand for wool showed remarkable recovery and prices were running in the 20-cent range of value. A lowering of prices at the London Wool Auctions in the early summer months, due to restricted buying, together with marketing difficulties which arose in Germany and Italy, and created a feeling of uncertainty with regard to the disposal of wool, were reflected in the Canadian market. As a result for some months, it was difficult to ascertain the actual state of wool markets. Towards autumn the situation became clearer but lower values obtained. Wool then began to move, although in limited volume, and it is expected that with the turn of the new year, sales will again reach the volume necessary to clear the present season's clip.

Horses

Reports indicate an upward trend in horse production in Canada for the year 1934. While statistics show a horse population of 2,933,400 in June, 1934, as compared with 2,984,100 in June, 1933, there has been a distinct increase in breeding activities during the year. Horse breeders' clubs in the Prairie Provinces numbered 166, an increase of 32.8 per cent over the number in operation in 1933, and a number of districts reported inability to secure satisfactory stallions. Importations of pure-bred males and females for breeding purposes show a marked increase over 1933. Fifty pure-bred stallions and mares of the draft breeds were imported in 1933, and this number will be more than doubled in 1934.

The export trade in draft horses was much more active in 1934 than for a number of years. An increased number of high class draft geldings were sold to buyers from the United States where there is a marked scarcity. Two shipments were made to Great Britain, one of grade Clydesdale geldings, and one of geldings of Percheron type. Frequent inquiries have been made for more horses of draft type, for street work in the cities of Great Britain where there is a brisk demand. A car load of horses bred from thoroughbred sires of the hunter type was sent to Barbados for constabulary work, following a satisfactory trial shipment taken to the West Indies last year. Negotiations are at present under way for supplying five hundred unbroken western range horses to the Chinese National Government. A demand is developing in Australia for pure bred Clydesdales and Percherons from Canada for breeding purposes. A small shipment of pure bred Percheron mares in-foal was sent there early in the year, and inquiries for further shipments have been received.

Domestic demand for work horses improved sharply during spring and summer, with a corresponding appreciation in prices. The increase in the price of ordinary work horses was 15 to 25 per cent over 1933, and for big, sound drafters, from 20 to 35 per cent. All things considered, prospects point to improvement in both production and market demand.

POULTRY AND EGGS

In both eggs and market poultry the year 1934 was, on the whole, more profitable to producers than was the year 1933. There is every prospect that in 1935 the farm poultry flock will again be a steady and reliable source of farm income, but prospects, both on the domestic and export markets, point more to the need of an improvement in quality than to the desirability of an increase in volume. The brightest spot in the Canadian poultry industry at the moment is the opportunity for increasing the export trade in market poultry. Official reports from England indicate that this opportunity in poultry products stands second only to that of bacon.

Domestic Egg Market.—The average farm producer depends, to a large extent, on profitable spring egg prices to derive a satisfactory revenue from his poultry flock. During the spring of 1934 prices were two to three cents above those of 1933. There is no evidence that these prices were higher than the domestic demand warranted but there is no doubt that the higher prices paid had a bearing on the lower quantity exported, especially with the British market for fall shipment ranging from 3 to 6 pence per long hundred less than a year ago.

As is not uncommon, egg prices during the summer months were rather depressed and the most urgent need of the egg producer is to find some way to maintain buoyant prices during the summer months. Undoubtedly one important reason for unsatisfactory summer prices is the generally mediocre quality of eggs marketed at that season. Producers can do much to help normal conditions during the summer by improving summer production methods, more frequent collection and in the interval before shipment making sure the eggs are kept in the coolest, driest place in the farm home.

Egg prices in the autumn of 1934 were reasonably satisfactory and showed a useful margin of profit to producers who had eggs to market at that time. Last winter Canadian egg prices ranged as much as twenty cents a dozen above United States markets of similar standing.

A useful development in the domestic market, more particularly in central and eastern Canada, has been in connection with Grade A-1 eggs. A considerable number of the better commercial producers have taken advantage of this grade and have been able to improve their prices materially, numbers of producers claiming to have obtained five or six cents a dozen more for their eggs than would otherwise have been the case had they sold them as Grade A. The movement in this line, as started in Ontario, gives promise of extending to other provinces and producers in Quebec, with the assistance of the provincial government, are already taking definite steps to the same end.

Egg Exports.—In 1933 Canada enjoyed a revival of her export trade to Great Britain and, during that year, approximately two million dozen eggs were exported. Export shipments for 1934 have not been completed but while there was again an active export movement of eggs it appears certain that the total volume will be somewhat less than in 1933. Higher costs of eggs stored in Canada, accompanied by somewhat lower prices in England and a less advantageous exchange rate, were responsible for the reduction from the 1933 volume. Canada appears, however, to have definitely re-opened her export trade with Great Britain and further substantial exports may reasonably be expected in 1935.

Sale of Baby Chicks.—Last spring, while prices did not materially improve over the previous year, the volume of chicks sold was said to be from five to ten per cent in excess of the previous year. Farmers generally are finding it decidedly to their advantage to secure, either by purchase, or through their own efforts, their requirements of chicks all of one age, brood them at one time and have them sufficiently early to ensure winter egg production. The advent of the Hatchery Approval Regulations and the careful selection of the flocks by the

Provincial Departments for approved hatcheries should assist materially in improving the quality of the poultry in those provinces which ask to have the regulations proclaimed on their behalf.

The Domestic Poultry Market.—The prices obtained by producers for dressed poultry have been reasonably satisfactory, more particularly for those producers who took advantage of the co-operative system of marketing. Prices for live chickens have not been so satisfactory during the summer and the same applies, in part, for fowl. It is clear that, wherever it is possible to properly finish, dress and pack the poultry, either on the farm or by co-operative enterprise in the community, the returns to the producer can be materially increased. The tendency, also, is toward a better fleshed and better finished chicken. Apparently when the stock is marketed alive an incentive is not offered in the way of a premium for quality and little improvement in quality has been noted in those districts where this practice is followed.

On the other hand, generally throughout Canada where the dressed poultry is grown and finished on the farm, a steady improvement in quality has been evident. The percentage of increase from the selected or range-fed class to the milkfed or finished class in specific districts has been quite marked.

Feeds.—The tendency of feed prices in 1934 was upward, values registering a substantial increase more particularly in grains and grain products. In the reduction of feeding costs on farms potatoes are one feed which is usually available and which has proved particularly useful in securing the finish and quality desired in market poultry.

Poultry Exports.—As previously stated, the export market for poultry to Great Britain is the brightest single spot in the entire Canadian poultry industry. Through the medium of standardized grading and of governmental inspection and the energy of both co-operative and private exporters Canadian poultry is achieving an increasing popularity in Great Britain, both for quality and standardization of pack. Canada initiated exports of chilled turkeys to the British market in 1932. The volume of these exports was increased in 1933 and was again heavy in 1934. Evidence of the high regard in which Canadian turkeys and chickens are held in Great Britain is apparent from the frequent favourable references as to quality and grading, and packing of Canadian poultry, that have appeared in the official publication of the English wholesale poultry trade. The export movement of chickens from Canada to Great Britain during 1934 has received considerable impetus as well from the imposition by Great Britain of a three pence tariff on foreign chickens.

A problem from the Canadian standpoint is to develop a top quality market chicken weighing $2\frac{1}{2}$ to 4 pounds, the weight most in demand on the British market, which, at the same time, will come from a breed capable of high egg production. It is expected that next year in a number of districts a real endeavour will be made to feed Leghorn cockerels for this trade.

There probably never was a time when the developments in the way of national policy with regard to poultry in Great Britain will have a more intimate relation to the development of the industry within the dominions than during the next few months. The British poultryman looks forward to the day when he hopes to make Great Britain self-supporting in eggs and poultry, and the special commission inquiring into the poultry situation in Great Britain is shortly to make its report. Opportunity will no doubt be afforded to study this report before it is submitted to the British Parliament.

DAIRY PRODUCTS

Total milk production in Canada continues to show an upward tendency which has been due almost entirely to a greater number of cows being milked; it is likely that this trend will continue during 1935. Cheese production continues to decline steadily, with milk being diverted mainly to the manufacture of creamery butter and to the fluid milk market, due to more remunerative returns from these sources. Prices for cheese have been lower both on the overseas and Canadian markets during the past season, while butter prices on Canadian markets have improved during the past two years. Creamery butter production has increased to such an extent that storage stocks are considerably higher than in the previous year. These high storage stocks will tend to keep butter prices at a lower and more uniform level during the early months of 1935 than in the past season unless some of the surplus stocks are exported. If no export movement takes place a small carry-over in butter stocks is not unlikely with a consequent depressing influence on prices, which may cause a diversion of milk into cheese manufacture. Increased production in many dairy countries and in Canada does not point to any marked improvement in returns from dairy products. Moreover a general improvement in pasture conditions in 1935, with a consequent increase in butter production, would probably lower Canadian prices of butter. Canadian dairymen, however, can improve their economic position by a careful culling of unprofitable cows and by better herd management in breeding and feeding operations to increase the average production per cow.

Milk Production

Total milk production in Canada for 1933 was slightly over 16,000 million pounds, an increase of 0.7 per cent over 1932. Figures for 1934 are not yet available but indications are that total production has been somewhat higher than in 1933. Production of milk has increased slightly during the past two years despite adverse feed and pasture conditions, and this may be attributed to an increase in numbers of dairy cows. Dairy cow population was 3,864,200 in June, 1934, an increase of 4.6 per cent over the same period in 1933, and an increase of 6.8 per cent over the five-year average 1929-33.

With a larger dairy cow population dairy products in 1935 should show a further increase, but since the feed shortage in 1934 is likely to reduce winter and early spring production, the outcome will depend largely on available forage during the summer and autumn months. The fact that dairy heifer numbers have decreased in every province except British Columbia would suggest that the high point in dairy cow numbers has been reached and that some recession in cow population in 1936 appears probable. The number of dairy heifers in 1934 was 899,000 in comparison with 909,100 in 1933.

Butter

The Domestic Situation.—Reports of creamery butter production for the ten months ending October 31, 1934, show an increase of about 13½ million pounds or 7 per cent over the same period of 1933. All provinces report an increase with the exceptions of Nova Scotia and Prince Edward Island. The largest increases took place in New Brunswick and British Columbia amounting to 12.2 per cent and 14.1 per cent respectively. Output in these provinces, however, represents a comparatively small proportion of the total. There was an increase of 8.6 per cent in production in the Prairie Provinces; while in Ontario the volume rose by 8.6 per cent and in Quebec output increased 8.7 per cent.

Butter imports during the ten months ending October 31, 1934, were 2,851,760 pounds as compared with 1,370,513 pounds for the same period in 1933. About 96 per cent of the imports were for the first four months of the year.

Exports of butter for the ten months ending October 31, 1934, have only amounted to 358,600 pounds as compared with nearly four million pounds during the same period in 1933. Most of the butter exports for 1933 took place in September and October when prices on the London market made it advantageous to export butter. This price situation did not exist in 1934.

The average wholesale price of creamery butter at Montreal for the season up to October 31, 1934, was higher than for the same period in 1933. This is the second consecutive year that an improvement has been shown in butter prices. Prices at Montreal also have been much above export value for every month of 1934, and even during the months of maximum production in Canada Montreal prices were more than 5 cents above export prices except in August. It is estimated that the value of creamery butter has been over $7\frac{1}{2}$ million dollars more during the months May to October inclusive than it would have been had there been an export movement of butter during this time. In general, the Canadian butter market has been in a favourable position during 1934 when compared with the previous two years and conditions in the United Kingdom market.

Storage stocks of butter have shown a decided increase since April 1, 1934, over the corresponding date in 1933. On December 1, 1934, storage stocks were about $10\frac{1}{2}$ million pounds in excess of the previous year excluding over $1\frac{1}{2}$ million pounds reported by firms that were not reporting a year ago. Most of the increase in storage stocks can be accounted for by the increase in the amount of creamery butter manufactured and to the fact that only a limited export movement had taken place up to December 1. Total consumption of butter in Canada has shown a slight increase during the past year or two, and available information for 1934 indicates that this trend has been continued.

The Foreign Situation.—Production of dairy products in many countries has continued to increase. While information indicates a lower production of butter in Denmark and the United States, many of the smaller European countries have increased output. Production also continues to expand in New Zealand and Australia. Butter imports into the United Kingdom have been greater during the ten months ending October 30, 1934, by more than 14 per cent over the same period in 1933. During this period Empire butter imports increased by 17·3 per cent and foreign imports by 10·5 per cent. Imports of butter from New Zealand and Australia have been greater by 11·4 and 29·4 per cent respectively.

The United Kingdom is the principal market for surplus butter supplies of the chief exporting countries, and imports into that market have increased tremendously during the past few years. Under such circumstances no marked improvement in world butter prices may be expected.

Cheese

Factory cheese production continues to decline, and from calculations based on the volume of cheese graded which represents approximately 93 per cent of the total output, it is estimated that the make will be down to about 98 million pounds in 1934 as compared with 111,044,628 pounds in 1933. Cheese production in Ontario and Quebec represents approximately 96 per cent of the total output for Canada and it is expected that production in these provinces will be considerably below that of 1933. In Quebec there is a tendency to shift from cheese to butter manufacture. The relatively higher price for butter in comparison to cheese is the cause of this change taking place. Reports from the western provinces would indicate that production was maintained in 1934 but the volume is comparatively small. The low prices prevailing on the United Kingdom market, to which the bulk of our cheese is exported, and the more favourable prices for other dairy products on the domestic market have been contributing factors in affecting the trend of production in Canada.

Storage stocks of cheese in Canada up to July were higher at the beginning of each month in 1934 than in 1933. Lack of demand from the United Kingdom at prices asked by Canadian exporters during the earlier part of the year account for stocks being higher than a year ago. The improvement in exports to the United Kingdom during October and November was such that storage stocks of cheese as at December 1, 1934, were about 1 per cent above those for the same date in 1933. Cheese consumption in Canada is low in comparison with that of other countries and in 1933 was estimated at 3.3 pounds per capita compared with 3.25 pounds in 1932.

Quotations for Canadian cheese on the London market for the months of May to September inclusive averaged 1.02 cents per pound lower in 1934 than in the previous season. In comparison, Montreal quotations for the corresponding period averaged only 0.33 cents per pound lower.

Exports of cheese for the ten months ending October 31, 1934, were 44,042,600 pounds as compared with 53,413,700 for the same period in 1933. Tardiness in demand from the United Kingdom at prices asked by Canadian exporters and reduction in make were contributing factors in accounting for the lighter exports during the 1934 season. Imports of cheese into Canada, which consist largely of types and varieties not manufactured in this country, were only a little over 700,000 pounds and slightly less than for the corresponding period in 1933.

Total cheese imports into the United Kingdom were slightly lower for the ten months ending October 31, 1934, than for the same period of the previous year. New Zealand and Canada continue to be the chief countries exporting cheese to the United Kingdom, and account for approximately 88 per cent of total cheese imports to that market. During the period under review, imports into the United Kingdom from New Zealand increased slightly while imports from Canada decreased nearly 23 per cent. The milk marketing scheme of Great Britain, to aid the producers of that country in the production of fluid milk as well as in the manufacture of dairy products, is having and no doubt will continue to have an important influence on outside markets.

Concentrated Milk Products

Concentrated milk production for the first ten months of 1934 showed a substantial increase over the corresponding period in 1933. Whole milk products contributed most to the increase. Evaporated milk, which represented over 60 per cent of total production, showed an increase of approximately 5 million pounds. Skim milk powder production increased by approximately 3 million pounds. As Canada is an exporter of concentrated milk products, imports were not large in 1934. Exports for the ten months under review in 1934 were below those of the same period in 1933. Exports of condensed and evaporated milk decreased while milk powder increased slightly. Storage stocks on December 1, 1934, were considerably above those held on the same date a year ago.

TREE AND SMALL FRUITS

The most important factor affecting the apple situation in Canada at this time is the extremely heavy and permanent injury to Ontario orchards during the winter of 1933-34. With Ontario's supply reduced 40 to 50 per cent of the average, other apple-producing provinces may expect easier domestic distribution and with the expectation of a lighter crop in the United Kingdom in 1935 a freer movement to that market is anticipated. There is a better outlook for increased plantings in peaches of the Elberta season than those of earlier types. In regard to grapes the conclusion is that blue grapes at the present time are overplanted but increased plantings of the red and white varieties appear justified. The general situation together with an increased export demand for pears seems to warrant consideration being given to the possibility of increased plantings, mainly of the Bartlett variety. At the present level of prices no expansion in the acreage of small fruits is anticipated.

Apples

The winter of 1933-34 was one of the most serious ever experienced in its effect on the apple industry in Central Canada, particularly in the province of Ontario. While it is still impossible to accurately estimate the ultimate effect of last winter's injury, since many trees may gradually die out, the situation at present indicates that the apple crop in Ontario will be reduced 40 per cent during the next five years. The varieties most seriously affected are Baldwin, King, Ben Davis and Northern Spy. The McIntosh variety was not so seriously affected and as a result the eastern part of Ontario, which is largely planted to this variety, has escaped with comparatively slight injury. In the province of Quebec the winter injury was not nearly as severe as was at first anticipated. It is expected that production in 1935 under normal conditions will be about 75 per cent of an average crop and the recent heavy plantings in this province indicate a steady increase in production.

Aside from severe injury to Northern Spy and Bishop Pippin in New Brunswick, very little effect has been noted and production should be close to average by 1935. Winter injury in Nova Scotia reduced the anticipated crop in the 1934 season by only 5 or 10 per cent and weather conditions being favourable it is probable that the crop will be above average in 1935. Injury is largely confined to Baldwins, the principal variety for the commercial producing area.

Due largely to the heavy winter injury in Ontario and Quebec the commercial production of apples in Canada dropped to 3,597,000 barrels in 1934 as compared with 5,351,000 in 1933 and a five-year average 1929-33 of 4,034,000 barrels. With the exception of British Columbia which showed an increase of approximately 100,000 boxes, production in all provinces declined with heavy decreases in Ontario and Quebec. The estimated production in Ontario is 321,000 barrels compared with 1,069,000 in 1933 and a five-year average of 882,000. In Quebec the production for 1934 is estimated at 132,000 barrels compared with 306,000 barrels in 1933 and a five-year average of 216,000. Nova Scotia production while considerably below the 1933 figure of 2,438,000 is estimated at 1,600,000 barrels as compared with a five-year average 1929-33 of 1,530,000 barrels. In the provinces of Quebec, Nova Scotia and British Columbia production in recent years has shown an increasing trend which should be kept in mind in comparison with the five-year average.

Returns to the grower in 1933 showed general improvement over the previous year and it would appear that this season's domestic prices will be substantially above last year. While exports of apples have been comparatively light this season due chiefly to export control measures, a reduction of the crop in Ontario and Quebec has permitted Nova Scotia and British Columbia to dispose of unusually large quantities on the larger markets of Eastern Canada. This situation has been of inestimable value to these two surplus producing

provinces. Canadian exports of apples to the United Kingdom up to the end of November, 1934, have shown a decrease of 59 per cent in barrels and 10 per cent in boxes due to competition of a large English crop and a dull market, and prices have been comparatively low. As the English crop is mainly for culinary purposes and moves into consumption fairly rapidly improvement in returns to the producer of overseas shipments is anticipated on later varieties.

At this time it is not possible to indicate the extent to which control of exports next season will be necessary, but it is quite possible that freer movement will be experienced should the English crop run true to form. English records show very wide fluctuations in yields from year to year, and past experience suggests that next year's crop may be lighter than usual. The exclusion of much of the higher class dessert trade from the United States to the United Kingdom by import duties has made a change in the demand for Nova Scotia apples. Formerly Nova Scotia largely supplied green cooking apples and the industry has been developed on that basis but with an increase in the production of English cooking apples and a premium for highly coloured dessert varieties to replace the United States' supply, there is a swing toward coloured dessert apples. This will have a more pronounced bearing on future variety recommendations than any other factor. Also, there is a tendency on the part of growers to try to meet this demand for higher colour and quality by decreasing nitrogen applications and turning their orchards to sod culture.

Peaches

Commercial production of peaches is confined to two provinces in Canada, Ontario supplying an average of 729,000 bushels annually or 90 per cent of total production during the five years 1929-33. During the same period the production in British Columbia averaged 58,000 bushels annually. There has been a decline in both bearing and non-bearing acreage as shown by the census over the past twenty years. The present tendency in both Ontario and British Columbia has been a slight increase in acreage. As a result of reduced production in Ontario in 1934 and an active demand on the part of the canning industry, in spite of an estimated increase of 90 per cent in fresh peach imports, the crop moved very readily at approximately a 50 per cent increase in price over 1933 returns.

Peaches which mature at about the same time as the Elberta variety have moved more readily and at better prices than those maturing earlier. This would suggest that there is a better outlook for increased plantings in such types than those of earlier varieties.

It is not expected that the winter injury of 1933-34 will affect seriously the succeeding crop and provided the winter season of 1934-35 is normal there is reason to expect an average crop in 1935. Judging from the manner in which crops above average have moved during the depression years, and taking into account the recorded improvement in Canadian business during the past year as well as the increase in exports of canned peaches to the United Kingdom in recent years, the prospects for sale of the 1935 crop appear favourable.

Grapes

The census recorded a production of about 41,500,000 pounds of grapes, 4,700,000 bearing vines and 2,600,000 non-bearing vines in 1930 as compared with 32,600,000 pounds, 2,957,000 bearing vines and 201,000 non-bearing vines in 1920. Sales of young vines by nurserymen reached a peak of a million in 1930 declining to 140,000 in 1933, indicating that the rapid increase in the vineyard acreage was slowed down after 1930 and probably the normal replacement was scarcely maintained in 1933 and 1934. At the same time with young vines continuing to come into mature production and the light crops of the past two years, it is probable that production from the planted acreage may yet reach a higher total than any so far recorded.

This large and rapid increase in the acreage and production of grapes resulted from the expansion of the wine industry during the prohibition period, when native wines were greatly in demand and when the wineries paid high prices for all the available supplies of domestic grapes. Since 1929, however, sales of wines have declined greatly with a consequent drop in winery requirements for grapes, and the increased quantities thrown upon the domestic fresh fruit markets in a period of general depression resulted in very low prices, at times in 1932 and 1933 representing little more than harvesting costs. In the 1934 season the crop was light and sales of wines had improved with the general improvement in business, so that the wineries crushed substantially larger tonnage while the remaining supplies to be absorbed by the fresh fruit markets were smaller and realized much better prices. However, even in 1934 fresh fruit prices declined toward the end of the season indicating that these markets had received about all the fresh grapes they could absorb at prices of \$35 and \$40 per ton. Had there been a normal crop of grapes and other domestic fruits, it is likely that fresh grape prices would again have been low in the past season.

With the removal of restrictions on the use of other alcoholic beverages with which native wines must now compete, the prospect for a large increase in the use of grapes for wine is not bright. While a further recovery in business conditions would tend somewhat to increase the consumption of grapes both in the fresh form and as wine, the conclusion is that blue grapes at the present time are overplanted but increased plantings of the red and white varieties appear justified.

Pears

The estimated yield of 399,000 bushels of pears in 1934 shows a decrease of 15 per cent as compared with the previous years production of 470,000 bushels and a slight decrease from the five-year average, 1929-33, of 414,000 bushels.

In recent years the exports of fresh pears have shown a decided upward trend. The United Kingdom absorbs practically all Canadian exports and in 1933, 44 per cent of total imports were from Empire sources with Canada contributing less than 5 per cent. Exports of canned pears to the United Kingdom increased 46 per cent during the twelve months ending March 31, 1934, as compared with the previous season's exports. There was an increase in imports of fresh and dried pears into Canada from the United States during the six months, April 1 to September 30, 1934, as compared with the corresponding period in 1933 and an increase in imports of canned pears from Australia.

A steady decrease in bearing and non-bearing pear trees is indicated by the census figures of 1921 and 1931 as compared with 1911. Also the lack of any marked increase in plantings during the past ten years shows a tendency toward future shortage of production to meet fresh consumption and canning requirements. Fresh pears amounting to approximately 180,000 bushels annually are imported from the United States, a large proportion of which finds its way into canned stock. A general survey of production suggests that pear acreage can be increased twenty per cent before the domestic market reaches a saturation point. This situation together with an increased export demand seems to warrant consideration being given to the possibility of increased plantings, mainly of the Bartlett variety, and augurs well for continued improvement of market conditions.

Strawberries

Commercial production of strawberries in Canada for the five-year period 1929-33 has averaged 18,275,000 quarts annually. The 1934 production is estimated at 16,850,000 quarts as compared with 22,810,000 quarts in 1933. Over the five-year period 1929-33, Ontario produced about four-tenths of the total Canadian crop. In 1934, Ontario's production was approximately one-half

of the previous year and considerably below the five-year average of 7,510,000 quarts. British Columbia producing about three-tenths of the Canadian crop showed a slight reduction below average in 1934 while Quebec with two-tenths of the total, maintained and slightly increased its production over the five-year average figure. New Brunswick and Nova Scotia combined, supply about one-tenth of the Canadian crop. In these provinces New Brunswick recorded a slight increase in 1934 over previous years while Nova Scotia showed a decided reduction.

From one-fifth to one-quarter of the total Canadian consumption are early season supplies imported from the United States. During the past year imports from that country showed material increase in volume. The strawberry crop fluctuates greatly according to weather conditions and being a biennial crop, acreage reflects price changes to a considerable degree. With prices remaining at a relatively low level in 1934, in spite of a lighter crop and generally improved markets for later soft fruits an expansion in acreage is not anticipated.

Raspberries

The acreage of raspberries has shown little change in recent years. The five-year average production of the total Canadian crop 1929-33 is recorded as 6,269,000 quarts. In 1934 the production amounted to 6,174,000 quarts compared with 6,402,000 in 1933. The province of Ontario usually produces about one-half the commercial production of the Dominion and British Columbia approximately one-third.

Price levels for this fruit have declined during the depression in keeping with general commodity prices but not sufficiently to materially curtail acreage. On the other hand with the increased cost of maintaining bearing plantations as a result of the inroads of mosaic and similar diseases, there has been no incentive to increase acreage and no such increases are likely until higher prices make it worth while.

VEGETABLES

Expansion of the sale of canned goods on the domestic and export market offers the most hopeful outlet for an increased production of vegetables. Many varieties have been tested for their suitability for the canned product and since pure strains ensure greater uniformity of maturity at harvest time they are recommended as a source of improving the pack.

The area in all vegetables in Canada exclusive of potatoes and turnips increased from 33,238 acres in 1920 to 103,838 acres in 1930 according to census returns. The 1931 statistics show that the trend continued upward and recent estimates indicate that this trend has been maintained with an increasing proportion of vegetables including tomatoes being grown for processing purposes. Over 50 per cent of the total vegetable acreage in Canada is confined to Ontario. The increasing production of vegetables in the three prairie provinces is of particular interest.

Production of tomatoes in Canada was estimated at 7,200,000 bushels in 1930 as compared with 2,600,000 in 1920. In the main producing areas about four-fifths of this crop is absorbed by the canning industry. Asparagus production increased from 400,000 bunches to over three million bunches between census periods, and that of green peas rose from 155,000 to 1,400,000 bushels. Other crops showing a marked increase in production are sweet corn, green beans, lettuce and cantaloupes.

It is probable that the large and rapid increase in the volume of vegetables produced for sale in Canada during recent years, has resulted from two tendencies: first, an increase in the per capita consumption of vegetables, both

fresh and canned; and secondly, a decline in imports and an increase in exports of canned vegetables. Fresh vegetables are imported mainly at seasons of the year when the fresh domestic product is not available and imports vary with general trends of consumption in Canada. The decline in imported canned vegetables has been pronounced, dropping from 14,800,000 pounds in 1920 and twenty-four million in 1930 to about two million pounds in 1934. Imports of canned asparagus declined from nearly two million pounds in 1930 to 273,000 in 1934, corn from nearly 5,800,000 pounds to 45,000, peas from 5,800,000 pounds to 107,000 and tomatoes from two million to 418,000 pounds. It appears, therefore, that no small part of the increased production of vegetables in Canada has been used by canning establishments and has displaced imported canned vegetables in the domestic markets as well as helping to provide for increased exports.

Potatoes

Potato production varies so much with climatic conditions and acreage grown in various sections of the country, and in the United States to some extent, that it is practically impossible to make a reliable price forecast. Prospects for new export markets for table potatoes in large quantities are apparently not very promising at present, but the possibilities are being explored. As to domestic markets, very little change in consumption of potatoes is anticipated and prices are influenced largely by the total crop in the principal producing sections of the country. If the factors affecting prices are not materially altered next year, little improvement in the situation can be looked for. However, it is apparent that a somewhat reduced acreage in the surplus-producing districts would tend to put the industry on a sounder footing in 1935.

Production.—The 1934 potato crop of Canada is estimated at 80 million bushels which is 10 per cent greater than that of 1933 and 6 per cent above the average production of the five-year period 1929-1933. A better idea of the situation may be obtained by dealing separately with the two main geographical sections of the country, East and West.

The 1934 potato crop in the four western provinces is estimated at 13,081,000 bushels against 13,615,000 in 1933. The crop was materially affected in several districts of the Prairie Provinces, especially parts of Saskatchewan, both by drought and grasshoppers, the total production in the western section being about 10 per cent lower than for the five-year period. The British Columbia crop, however, was somewhat larger than in 1933.

In the five eastern provinces the 1934 crop is estimated at 67,238,000 bushels as compared with 57,626,000 in 1933 and 60,180,000 bushels for the five-year period. This increased production is partly due to an increased acreage of 6·7 per cent over 1933 and partly to a greater than average yield per acre. With favourable climatic conditions losses caused by diseases were not as heavy as usual and the quality was better than average. The increased acreage in 1934 may be explained as a response to prices paid for table stock in 1933 and to some extent to the drop in prices of certified seed potatoes in the late spring. For early plantings many farmers used table grade potatoes instead of expensive certified seed and when the latter dropped in price to about 50 cents per bushel they increased their acreage to a large extent.

A total of 21,088 acres was passed for certified seed in 1934 compared with 18,602 acres in 1933, and a ten-year average of 22,169 acres. Yields in 1934 were well above the average and the total quantity available for seed purposes was approximately 4,285,450 bushels of which about one million will probably be graded, tagged and sold as certified seed. Not much change in acreage for certified seed is expected in 1935.

Markets and Prices.—Comparing the wholesale prices of potatoes for October, 1934, and October, 1933, at various marketing centres in Canada it

will be found there is a reduction of 21 cents per bushel at Montreal, 21·7 cents at Toronto, 5 cents at Winnipeg and 31 cents at Vancouver. Average prices to the grower up to December 1 for the 1934 crop are 12 cents per bushel in Prince Edward Island, and 7 cents per bushel in New Brunswick.

The increased crop in both Ontario and Quebec is quite sufficient to take care of all local requirements. The immediate problem is to find an outlet for the estimated surplus of 7,500,000 bushels in the Maritime Provinces. Normally, the shipments to Cuba and United States might be expected to absorb about 4,682,600 bushels, the yearly average for the five-year period 1929-1933, but production in the United States this year was very heavy and there is little likelihood of shipping the usual quantities of table stock to that country this season. As regards prospective demand from Cuba, the recent Cuba-United States Treaty now permits the entry into Cuba of table stock from the United States under a duty of \$1.81 per 100 pounds, whereas Canadian table potatoes are subject to a duty of \$2.27. In view of the large crop in the United States particularly in Maine, it is obvious that the outlet for the surplus Maritime table stock in Cuba is limited.

Fall shipments of certified seed potatoes in 1934 to date (December 3) amounted to over 300,000 bushels compared with about 150,000 bushels on same date last year. Prospects for export demand are considered very fair and it is expected that shipments for the season may possibly equal those of last year when a total of 1,171,000 bushels were shipped.

With high prices for stock and poultry feeds and very low prices for potatoes, the stock raisers located near plentiful supplies of potatoes, have a good opportunity to reduce their feed bills by feeding potatoes. In Germany, for instance, only 30 per cent of the total potato crop is used for table purposes and approximately 40 per cent is used for stock feeding. On the other hand in Canada, 64·5 per cent is used for table purposes and only about 11 per cent for stock feeding. When the true value of potatoes as stock and poultry feed is fully realized, much larger quantities than at present will be fed. Stock raisers would be well advised to inform themselves fully on the proper methods of feeding potatoes in the rations to secure the best results. In brief, it may be pointed out that potatoes are, in fact, "watered" carbohydrate concentrates. They may be used, therefore, as a substitute for barley and corn, as in the rations of pigs, in which case it is important to bear in mind that four pounds of potatoes are equal to one pound of cereal meal.

A scheme under the Natural Products Marketing Act to operate in the five eastern provinces is under consideration and, if approved, should help to dispose of good quality potatoes to better advantage. Withholding low grade potatoes from the market should relieve the situation to some extent.

Table Turnips

It is very difficult to segregate the production of table turnips from the total crop since many farmers grow turnips for both purposes, table stock and live stock feed. The major commercial areas producing table stock for export are in central Ontario and Prince Edward Island. In 1934 about 3,600 acres of table turnips or 3·6 per cent of the total crop were grown in Ontario, and the estimated production was 1,402,500 bushels while the Prince Edward Island production on 10,700 acres was 6,420,000 bushels, about half of which is available for table purposes.

The average price per bushel to the Prince Edward Island growers was 16 cents in 1931, 13 cents in 1932, 27 cents in 1933 and 11 cents in 1934 up to the end of November. During the fiscal year ending March 31, 1934, exports of table turnips amounted to 1,949,022 bushels compared with the average of 2,276,090 bushels for the five-year period 1929-33. Domestic movement is comparatively small as practically all sections produce sufficient quantities for local

consumption except possibly the larger eastern markets. The important question is, therefore, one of export. Ontario, with a competitive water rate, is able to market on the Atlantic seaboard as well as in the northeastern and central states. Prince Edward Island shippers are apparently obliged to confine their shipments to the former area in competition with Ontario, which has a tendency to weaken the market and lower prices. Market conditions might be improved if growers in the producing areas concerned would co-operate in supplying foreign demand.

COMMERCIAL PROCESSING OF FRUITS AND VEGETABLES

Improved quality has been an important factor in increasing the total domestic consumption of canned fruits and vegetables as well as opening the door to expanding foreign markets. Provided quality and continuity of supply can be maintained a larger market seems assured. These factors are progressively operative and if adhered to justify the expectation that the volume of fruits and vegetables processed in Canada will continue to grow. Already a considerable part of the Canadian production of fresh fruit and vegetables goes to the processors of these goods and the proportion so used is likely to increase. This trend should be impressed upon growers in order that the best varieties and quality for processing may be produced in sufficient quantities.

Canning, Preserving and Evaporating.—The volume of fruits and vegetables processed by commercial canners and preservers has shown a rising trend during the past decade. Fresh fruit for processing has risen from approximately 57 million pounds in 1924 to 106 million pounds in 1932. About 50 per cent of this volume is comprised of apples and pears, including apples for canning, evaporating and the making of cider, vinegar and pectin. As in the case of fruits, fresh vegetables used by the canning industries, have increased from 157 million pounds in 1921 to 311 million pounds in 1932, tomatoes constituting the major item. Production made a further gain in 1933, being estimated for that year at 6,452,000 cases compared with 6,176,000 cases in 1932.

Home canneries are a development of the last few years of great importance and possibilities. It is estimated that in 1934, there were about 1,700 registered establishments operated in Quebec with a production of probably 230,000 cases. The movement is spreading into Eastern Ontario and other important vegetable growing districts so that in Ontario in 1934, there was a production from these sources of about 100,000 cases. These small unit canneries are largely operated by individual vegetable growers so that the commodity is processed in a fresh state, and with proper treatment, a product of good quality results. So far, such small canneries seem better adapted to the processing of vegetable than of fruits.

Among the factors which have probably contributed to the increase in the commercial processing of fruits and vegetables may be cited: (1) The changing habits of the Canadian population; (2) improved quality of canned and processed products; (3) a higher standard of catering in boarding camps; (4) rising exports.

The export movement has improved for practically all canned fruits and vegetables. Canned apple exports have increased over 200 per cent since 1931. Canned asparagus has increased from 94 cases in 1931 to 1,758 in 1933 and 4,931 cases during the first 9 months of 1934. Shipments of canned pears have moved from a reported volume of 46,000 cases in 1931 to 158,000 in 1933 and over 130,000 cases during the first nine months of 1934. Similar proportionate increases in the export movement occurred in peaches, loganberries, beans, carrots, corn, spinach, and tomatoes. This increasing volume of exports reflects improved quality of the product. The buyers in the United Kingdom appear pleased with the Canadian product and provided quality and continuity of supply can be maintained, a large market seems assured.

Frozen Fruits and Vegetables.—Trial packs of frozen fruits and vegetables have been received by the public with increasing favour and the movement through this outlet will undoubtedly increase. The frozen pack of strawberries and raspberries amounted to forty to fifty thousand pounds in 1934 compared with 6,000 pounds in 1933. In 1935, the output is expected to exceed 100,000 pounds. In addition to small fruits, such vegetables as spinach, asparagus and peas, have been successfully treated. This process will extend the season of Canadian fruits and vegetables and it is quite probable that the product may compete with and displace a part of the fresh imports. There is an increasing interest being taken in this product by large institutions such as hospitals equipped with cold storage facilities which can freeze and hold for use their own supplies.

SUGAR BEETS

According to the provisional estimate of Canadian sugar beet production in 1934, acreage increased 6,100 acres or 13 per cent over 1933. There was a slight increase in the yield per acre and the estimated production increased to 533,000 tons compared with 457,000 tons in the previous year. The five-year average amounted to 446,000 tons from 48,800 acres or 9.13 tons per acre. The acreage in Alberta was estimated at 14,500 compared with 14,100 for the previous year. A noteworthy feature has been the increase in the sugar beet acreage in Ontario, for 1934 the number of acres reported being 37,600 compared with 31,900 in 1933, while the estimated production increased to 376,000 tons, from 319,000 tons produced in 1933.

Since sugar beets are grown under contracts between growers and manufacturers the matter of price and acreage adjustment is arranged within the industry. Prices of raw sugar decreased steadily during the year 1934—a factor which must be considered in making plans for 1935 since the price paid for sugar beets is obviously based upon the price obtained for sugar.

TOBACCO

In view of the greatly reduced production of tobacco in Canada during the past year, the increasing demand on the home market and a moderate stimulation of overseas interest the general outlook for Canadian tobacco is somewhat better than has been the case for the past two or three years. The 1934 flue-cured crop has been disposed of rapidly at increased prices as a result of improved marketing conditions and competition between domestic and export purchasers. Probable demand for the 1935 crop should not be less than for the 1934 crop, but any increase in planted acreage would be inadvisable. Stocks of Burley are still too large and production should not be increased despite the fact that prices were higher in 1934. No increase in demand for the dark tobaccos is apparent and growers would be well advised to plant on the basis of definite contracts with buyers. Owing to the large stocks of cigar leaf and Quebec pipe tobaccos still held in storage reductions in the planted acreage of these types in 1935 would appear to be necessary.

Production.—The season of 1934 has been marked by a sharp decrease in the production of tobacco in Canada. Estimates indicate that the flue-cured crop will amount to approximately 22½ million pounds as compared with 27 millions (revised estimates) in the previous year. This reduction is partly the result of a voluntary reduction in planted acreage on the part of over 95 per cent of the growers in Ontario, and partly the result of adverse weather conditions, including drought, hail and frost. Similar factors combined with a shrinking demand reflected in low prices have resulted in a fall in Burley production from 9½ million to about 7½ million pounds. There has been only a moderate decline in dark production.

In the cigar leaf areas of Quebec, the continuation of the low prices and limited market has resulted in a sharp fall in production. Estimates indicate a cigar leaf crop of less than 2½ million pounds as compared with one of over 4 millions in 1933. On the other hand production of the large pipe varieties has risen from 1,800,000 to about 3,500,000 pounds, while the crop of small aromatic varieties has been more than doubled.

Marketing and Prices.—The marketing of the 1933 crop was featured by slow movement and low prices. In the case of flue-cured tobacco final disposal was not completed until early in September, 1934, when the prospects of a short crop stimulated interest in old stocks. Prices moved upwards with the result that these late sales were consummated at levels distinctly better than obtained during the winter and spring. The 1934 crop has been disposed of rapidly at a price averaging around 25 cents. Extremely high prices in the United States stimulated export demand and provided keen competition for domestic purchasers. There is nothing to indicate that any similar upward tendency has developed in the market for the other types, although prices were slightly higher than those secured for the 1932 crop. Flue-cured tobacco of the 1933 crop averaged 19 cents as compared with 16 cents, while prices for the other types were a cent or two higher than for 1932 stocks. Reports indicate that 1934 Burley prices are somewhat higher than those of 1933.

Organization.—The outstanding feature of the past year has been the organization of the flue-cured industry under the Natural Products Marketing Act. Efforts to arrange a voluntary marketing agreement between producers and manufacturers were begun early in May but broke down at the end of July and the producers moved to bring the industry under the Act. As a result the Ontario Flue-cured Tobacco Marketing Board was formed to regulate the marketing of the crop and to negotiate an equitable price basis for its sale. On this board all branches of the trade are represented with the growers' organizations having a majority control.

Growers' associations continue to play an important part in the development of the industry. In the past such organizations have been primarily concerned with co-operative marketing under a pooling contract. In the more recently formed associations, however, general service to the members has been the chief motivating force, while such marketing activities as have been undertaken have been on a voluntary basis, and mainly concerned with the packing and disposal of unsold surpluses remaining in the hands of growers. In addition to the organizations already in operation two new ones were formed during 1934, one in the flue-cured area in Ontario and the other in the cigar leaf district in Quebec.

Domestic Leaf Stocks.—Repeated efforts to secure quarterly returns of leaf stocks in Canada were finally successful during the past summer. The report for September 30, 1934, indicates that in general stocks on hand are not excessive. Total supplies of flue-cured amount to about 31½ million pounds, equivalent to a two-years' supply at the present rate of consumption, while stocks of imported leaf of this type are 12 millions, or about 1½ years' supply. Stocks of domestic Burley amount to some 22 million pounds, which is slightly greater than are normally required to be carried. In the case of cigar leaf, stocks on hand are equivalent to nearly a four-years' supply at the present rate of consumption. Some 4½ million pounds were being held on September 30, while only 1,200,000 pounds were used in 1933.

Trends in the Export Market.—The past year has been marked by a sharp decline in the export of flue-cured tobacco to the United Kingdom. This has been the direct result of the abandonment of the premium gift schemes on the part of Old Country cigarette manufacturers. Canadian tobacco was being used for the premium-bearing cigarettes. The fact, however, that withdrawals

of Canadian leaf from bond for consumption by English manufacturers have not declined in the same proportion as have imports from Canada would seem to indicate that the 1934 level of exports is below normal. Stocks of Canadian leaf in bond in the United Kingdom had been reduced by the end of October to about a 2½ years' supply. The short crop of 1934 will probably result in a further depletion of these stocks because of the small surplus available for export. There is some evidence that Canadian flue-cured is gradually finding a place in the standard brands of cigarettes and in the higher priced pipe tobaccos. Exports of Burley rose from 1½ millions of the 1932 to 2½ million pounds of the 1933 crop. There was also an increase in sales of flue-cured and black fats to the West Indies.

One of the most important factors retarding the expansion of the market for Canadian and other Empire flue-cured tobacco in the United Kingdom is the restricted meaning placed on the use of the term "Virginia." At present this is being interpreted as meaning flue-cured tobacco grown in the United States irrespective of the state. Legislation is now before the British Parliament under which it will be possible to redefine this term to include tobacco of this type grown in the Empire. An expanded use of Empire flue-cured should result if such a move meets with success. In addition, efforts are being made by the Empire Tobacco Federation to secure a revision of the drawback duties which will permit a greater use of Empire tobaccos by Old Country firms manufacturing for export.

Trends in the Domestic Market.—The general trend in the consumption of tobacco products during 1934 has been upwards. With the exception of plug tobaccos all forms of tobacco have shared in this increase, which, however, has been most marked in the case of cigarettes. During the twelve-month period ending September 30, 1934, cigarettes entered for consumption totalled nearly 4,676 millions, an increase of 11·2 per cent over the period ending September, 1933. This is equivalent to over 1½ million pounds of tobacco. In the case of cigars the increase amounted to 11·6 per cent, cut tobaccos 2·4 per cent and snuff 6·3 per cent, while plug tobaccos declined by 4·5 per cent. In the aggregate this represents an increased market for about 2¼ million pounds of raw leaf, of which Canadian producers furnished about 1½ millions.

Decreases in the consumption of imported leaf continue, although the decline during the present year has not been as great as in 1933. It would appear that the time is approaching when the use of imported leaf by manufacturers will reach a minimum, unless other factors, such as tariff changes, intervene. When that point is reached any increase in the demand for domestic leaf will be dependent on population growth and greater per capita consumption. In this connection it is worth noting that per capita consumption in Canada is considerably lower than in either the United Kingdom or the United States.

HONEY

Unfavourable weather conditions during three successive years have resulted in a honey crop considerably below average in Canada as well as in other countries which also supply the United Kingdom market. This, however, has had a favourable effect on the marketing situation as it has enabled producers to readily dispose of their surplus at slightly higher prices. During the past five years Canadian honey has improved its position on the English market. To hold this advance on a strongly competitive market, which has been made even more so by recent restrictions imposed by continental countries and the consequent unloading of foreign honeys in the United Kingdom, it is essential that Canadian producers offer only a well-graded, high-quality product on that market.

Production.—The honey crop of 1931 was the highest on record, amounting to 29,666,000 pounds. In 1932 production dropped to 19,470,500 pounds, a decrease of over 10 million pounds. The crop of 1933 was 19,543,500 pounds, a

slight increase over that of 1932. Total figures for 1934 are not yet available, but those received from six of the provinces indicate that the crop will be slightly larger than that of the past two years, but still far short of the five-year average of 25,263,500 pounds. The reduction in yield was entirely due to weather conditions. Continued drought for the past three summers not only reduced the acreage of nectar-secreting plants, but it also dried up many of the sources of nectar that were available. This was especially true of Ontario and the Prairie Provinces. Heavy winter killing of clovers, the main sources of nectar, also was a factor in reducing the acreage of honey-producing plants. Drought conditions in the United States and New Zealand, competitors of Canada on the markets of the United Kingdom, were also responsible for a sharp reduction in the crop of those countries. England on the other hand has now harvested two large honey crops in succession, but these crops scarcely begin to supply the home demand, and imports are a necessity.

Markets and Prices.—The domestic demand appears to be quite satisfactory. Practically all surplus was out of the producers' hands before the new crop was harvested, and appears to be moving quite briskly. Export markets, however, appear to be somewhat slow at the moment, probably due to two large crops in succession in England. Exports have shown a steady increase over the past five-year period rising from 1,744,871 pounds in the calendar year 1929 to 2,806,770 pounds in 1933. During the first nine months of the present year 583,917 pounds of the 1933 crop have been exported and of the 1934 crop 566,560 pounds were exported by November 7, making a total of 1,150,477 pounds at that date. Of the 2,806,770 pounds exported in 1933, 2,213,899 pounds were sent to the United Kingdom, indicating that of all available outside markets, this is the most important to Canadian producers, especially as Empire honey has a seven shillings per hundredweight preference on that market.

From 1929 to 1931 average wholesale prices on the domestic market dropped from 10 to 7·6 cents per pound and retail prices dropped accordingly. From 1931, however, prices gradually increased to 8 cents in 1932, 9 cents in 1933 and have again risen from 1 to 2 cents this year. On the export market, prices slowly advanced up to 1933 when they were approximately equal to those on the domestic market. Judging from the latest reports available, there is apt to be an appreciable decrease over last year which may result in a reduction in domestic prices later on.

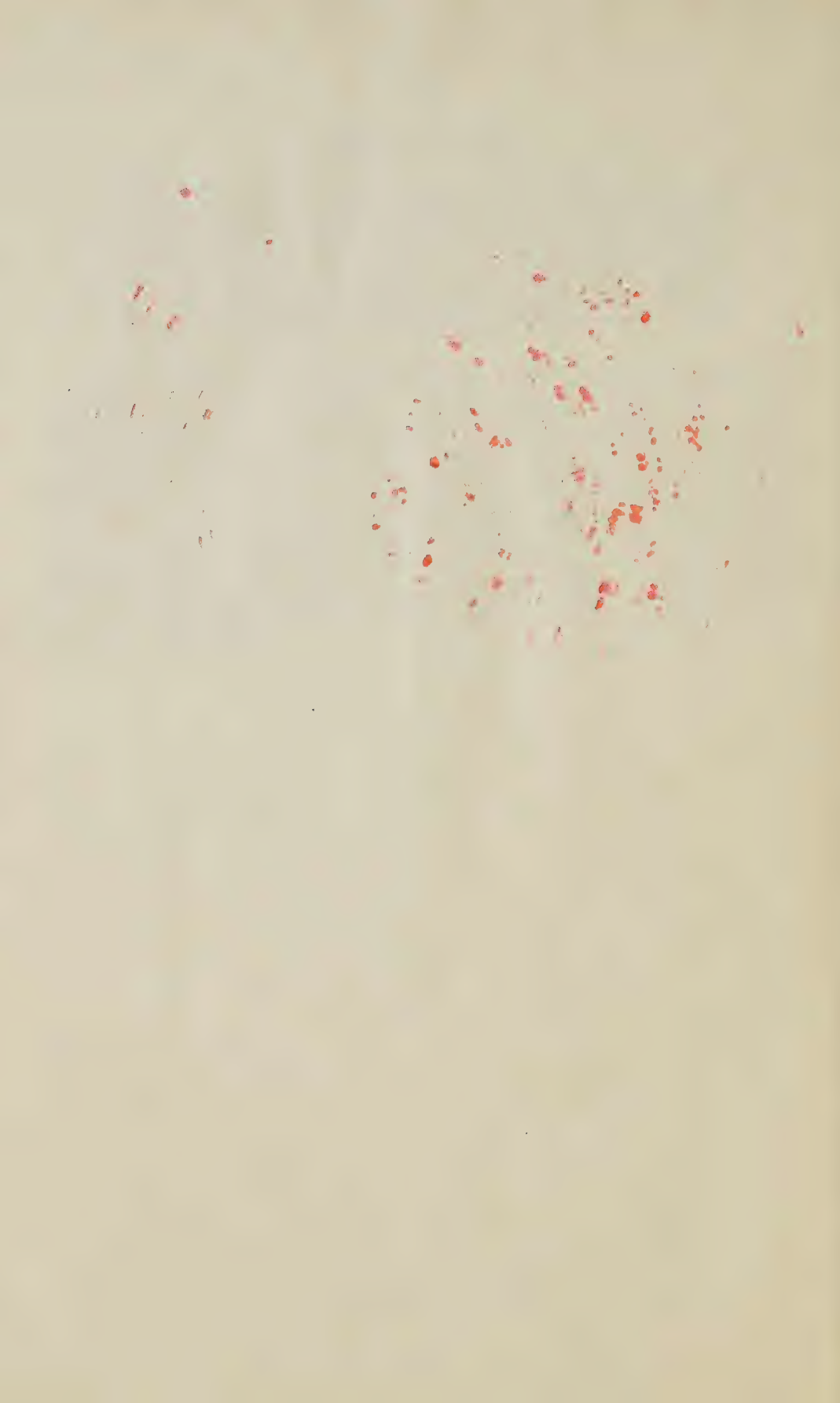
Trends.—During the past year more package bees were imported into Canada than formerly, in spite of 60 per cent increase in prices over the previous year. Many of these bees, however, were to replace losses from the previous winter. This fact indicates that in spite of light crops, more interest is being taken in honey production. This is perhaps due to the fact that of all primary commodities, honey has been least affected in price.

In most sections of the country, bees were well prepared for the coming winter, and it would appear that fewer colonies were destroyed this fall and that more bees are being carried through the winter than in previous years, as it now seems to be more economical to winter the bees rather than to destroy them and buy packages the following spring. This is largely due to the increased prices for package bees and may have the effect of reducing the number imported next year, the importations being largely to replace normal losses and for the establishment of new colonies. It would also appear that although in some sections clovers suffered because of drought for the most part they are going into the winter in fairly good condition. Prospects now are decidedly favourable for increased production in 1935, but it must be remembered that much can occur between the time of writing and the commencement of the main flow next year to affect the honey crop of 1935.

MAPLE PRODUCTS

The outlook for 1935 in the maple industry is brighter than it has been for a number of years. The depletion in surplus stock has been accentuated during the past three years owing to low yields since 1931 and it is confidently expected that with the advent of the 1935 sugar season the surplus will be practically non-existent since the new crop, if not forced to compete with the carry over, should meet a brisk demand and in consequence command improved prices over those of the past few years. The extent of this improvement, however, will be influenced to a considerable degree by the size of the United States crop and the demand for Canadian sugar from that country.

The 1934 yield of maple syrup and maple sugar as expressed in pounds of sugar was 23,379,400 pounds as compared with the 1933 production of 18,408,000 pounds and the ten-year average of 26,816,000 pounds. The average value of maple sugar was 12 cents per pound and of maple syrup \$1.34 per gallon. Exports of maple products are largely to the United States and during the five-year period of 1929-33 inclusive averaged 6,443,281 pounds annually, this figure approximating 25 per cent of the production, but this is considerably under that which was previously exported. The duty of 6 cents per pound on sugar and 4 cents per pound on syrup constitutes a barrier which undoubtedly curtails shipments to the United States. An abundance of sunshine and a fair amount of rainfall during the past summer have undoubtedly provided proper conditions for a bountiful storage of sap within the trees and it remains for suitable conditions of frosty nights and mild days during the sugaring season to provide an abundant crop in 1935.



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DOMINION OF CANADA

THE DEPARTMENT OF AGRICULTURE
AND
THE DEPARTMENT OF TRADE AND COMMERCE
CO-OPERATING

**THE
AGRICULTURAL SITUATION
AND OUTLOOK
1936**

(Prepared December, 1935)

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The National Advisory Committee on Agricultural Services

G. H. S. BARTON, Deputy Minister of Agriculture, Ottawa,
Chairman of the Executive.

Sub-Committee on the Agricultural Outlook

J. F. BOOTH, Economics Branch, Department of Agriculture,
Ottawa, Chairman.

T. W. GRINDLEY, Agricultural Branch, Dominion Bureau of
Statistics, Ottawa.

J. E. LATTIMER, Department of Farm Economics, Macdonald
College, P.Q.

J. COKE, Economics Branch, Department of Agriculture,
Ottawa, Secretary.

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FOREWORD

THE Agricultural Situation and Outlook 1936 has been made possible through the co-operation of officers of the various Branches of the Department of Agriculture, and the Department of Trade and Commerce, who served as members of the committees which prepared the several sections of which the report is comprised.

This annual review of the position of Canadian agriculture contains basic information which will assist farmers in planning their business operations in 1936. It is, of course, impossible to take into consideration drastic changes in international affairs which might develop before the close of the year. The report, however, presents an analysis of the factors most likely to affect farm income in the coming year.

The co-operation of representatives of the Provinces of Nova Scotia, Quebec, Ontario, Saskatchewan, and British Columbia in consideration of the preliminary reports is gratefully acknowledged.

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THE AGRICULTURAL SITUATION AND OUTLOOK

THE DOMESTIC SITUATION

The gradual expansion of industrial activity and moderate improvement in employment, with greater stability in prices of goods for immediate consumption, indicate that demand in domestic markets is likely to be well maintained and perhaps increased somewhat during the coming year. Better prices for most farm products, with the volume of production about the same as in 1934, implies a moderate increase in income from the 1935 output. This increased income means greater purchasing power in the hands of Canadian farmers at the beginning of 1936.

General Factors Affecting Domestic Demand

The Industrial Situation.—Since the low point of the depression was passed in the early months of 1933, Canada has made considerable progress towards recovery. The advance of the last three years was interrupted by temporary setbacks, but the trend continued upward throughout the period, holding out hopes of further improvement during the coming year. Recovery in 1935 was uneven in the sense that some industries made considerable progress, while others encountered adverse conditions. Several industrial groups which participated fully in the prosperous times culminating in 1929 are again moving forward rapidly.

The mining industry, for example, has been among the leaders in this movement and the production of base metals, including nickel, copper, zinc and lead, reached high levels in 1935, with the first three surpassing all previous records. The prosperous operation of the numerous mining camps of the Dominion is an important source of demand for farm products.

The farming community is also vitally interested in the welfare of the forest industries. The lumber and paper industries not only furnish a market for farm products but many farmers participate in wood operations during off seasons. The price of newsprint remains close to depression levels, but production rose in May, 1935, to a relatively high point and has since been well maintained at a level not differing greatly from that of 1929. The domestic demand for lumber, measured by conditions in the construction industry, has increased somewhat over that of 1934, but the exports of planks and boards showed little change.

Another significant development was the recent expansion in the production of pig iron and steel. The operations of the industry are bound up with the production and renewal of railway and industrial equipment. The large gain in the output of steel during the last half of the year, although influenced by the earlier production of new automobile models, suggests that the demand for industrial equipment is reviving. Providing this tendency is maintained and extended, there could be no truer sign of returning prosperity. The index of steel production at 116 per cent of 1926 levels, was greater than in any year since 1930, and pig iron production recorded a marked gain over each of the last two years.

The revival of the automobile and allied industries was a further favourable development of 1935. The output of cars and trucks was greater than in any year since 1929, and increased production in the motor industry proper was paralleled in the accessory and allied industries. The expansion in this group has a stimulating effect on the general business structure. The construction industry which had operated at a very low level in 1934 showed moderate revival in the year under review. The delayed recovery in building, however, was one of the reactionary factors of recent years and, even with governmental projects, the level of employment in the building trades was little more than half of that in 1926.

Despite greater activity in other lines, the gain in the railway freight movement during 1935 was of very modest proportions. Carloadings in the first ten months of the year just closed showed a very slight increase. The marked improvement in the movement of miscellaneous commodities, consisting mainly of manufactured products, was the chief influence in raising the total of carloadings in 1935 over those of 1934. Pulpwood, paper and forest products other than lumber moved in greater volume, but reductions were shown in grain and coal. Gross operating revenues consequently remained at low levels, a slight gain only being shown over the preceding year.

Employment.—Statistics show that the low point of industrial employment was reached in the first quarter of 1933, and since that time the general trend has been upward. The figures for November 1, 1935 show that employment had reached its highest point since the end of 1930. The index stood, on November 1, at 107.7 per cent of the average employment during the year 1926. Since population has increased during the same period the apparent gain in employment is somewhat misleading.

An analysis of the returns by industries showed widespread improvement during 1935. Especially pronounced recovery was indicated in manufacturing and mining. The index numbers of employment in transportation, communications, services, and trade were slightly higher. While building and railway construction and maintenance were generally more active than in 1934, a change in policies regarding unemployment relief works on the highways resulted in a lower level of employment for the construction industries as a whole during 1935 than in the preceding year.

Wage Rates.—Wage rates in 1935 were slightly higher as a result of increases in various industries and localities. Part-time and short-time work were less prevalent. In logging, wages advanced generally throughout the Maritime Provinces and Quebec, whereas in Ontario and British Columbia rates had risen considerably in 1934. In coal mining, wages increased appreciably in Nova Scotia and in Alberta, and there were some increases in metal mining. There was also improvement in manufacturing, especially in clothing and furniture factories. Rates were advanced in the construction trades in Quebec and Ontario, and railway wages also increased. Longshoremen's wages rose in most of the ocean ports and in some of the lake ports.

Interest Rates.—The declining yield on government bonds in Canada, together with moderate reductions on short term money rates has acted as a stimulant to business enterprise. The level of yields of first class bonds was especially low during the first eight months of the year and the advance in September was followed by declines in later months. With the return of confidence in investment possibilities, the stimulating effect of low yields will be more fully appreciated. Surplus funds are now flowing toward productive projects, assisting in the restoration of confidence in domestic enterprise.

Consumption.—The total consumption of food products originating on the farm is affected less by depression than is the consumption of almost any other commodity group. The total production of such farm products has remained relatively constant as compared with non-agricultural products. In times of depression and low consumer income, this relatively stable output of farm products finds its way into consumption only at greatly reduced prices.

It is to be expected, therefore, that improved economic conditions, with increased income of consumers, should result in a relatively small increase in the quantity consumed of such farm products, but in a material increase in price per unit. This is illustrated by the fact that the volume of retail sales for groceries and meats in Canada in 1935 was practically the same as in 1934, and only slightly different from 1932 and 1929. The price per unit, however, varied widely and this variation was particularly great in prices received by farmers for meat animals and other food products. In this connection, it is also of interest to note that the general level of farm-product prices rises more rapidly than prices of manufactured goods in periods of increasing industrial activity and advancing consumer income, and falls more rapidly in times of declining activity and income.

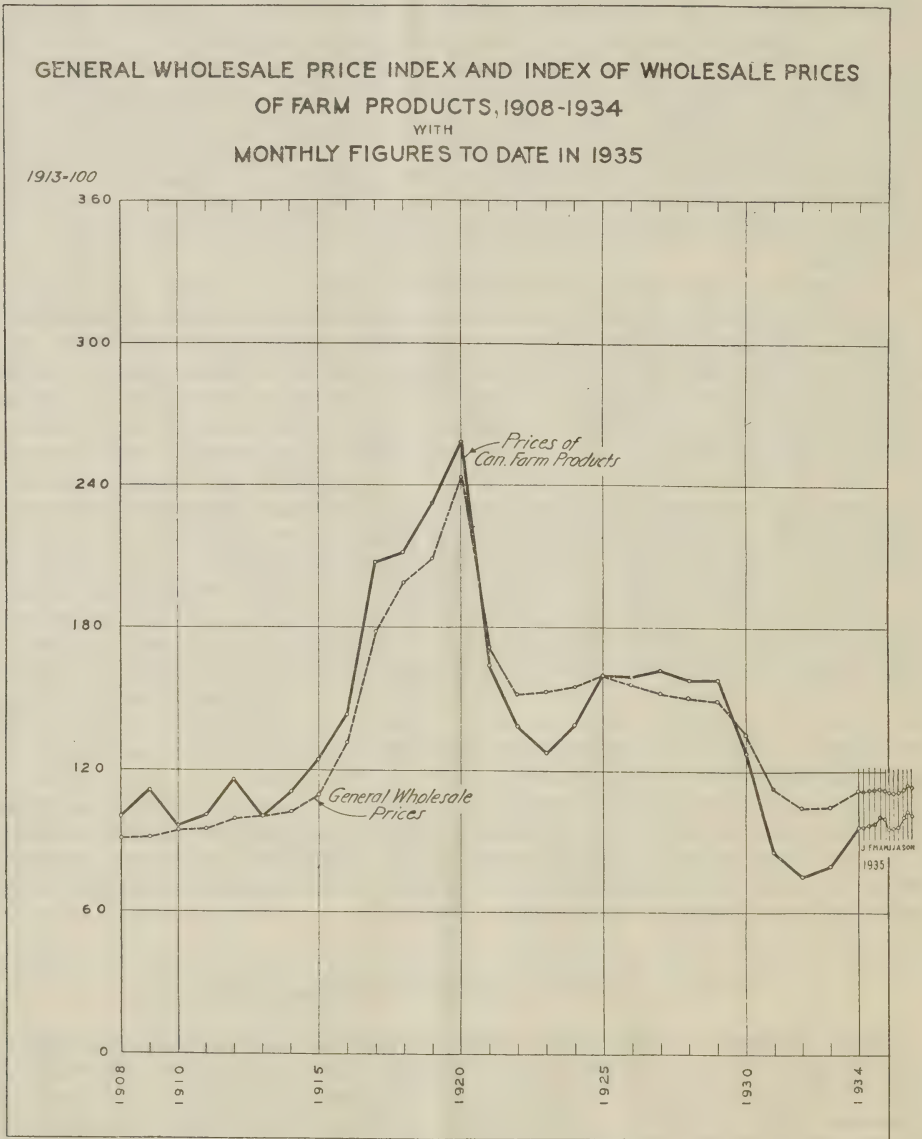
Noticeable improvement in the aggregate value of retail sales was apparent for durable goods such as furniture and hardware in the past two years, especially in 1935. This has been due in part to somewhat higher prices of these commodities and in large part to increased volume of sales. In passing, it should be noted that these prices declined far less in the depression years than did prices of farm products. Altogether the increase in volume and the even greater increase in aggregate value of these sales are clearly indicative of larger income in the hands of consumers. The value of radio, automobile, and farm implement sales was also substantially higher, providing further indications of improvement. In spite of such increases, however, general measurements of retail consumption showed very little difference between 1934 and 1935. For example, the volume of manufactures and miscellaneous products received as freight shipments throughout Canada during the first nine months of the year amounted to 7,324,000 tons in 1935 as compared with 7,134,000 tons in the same period of 1934. Relatively high retail sales were recorded during the late summer months when business is usually dull, and the customary fall increase in retail buying was greater than in the past two years. Considered in relation to the steady expansion in industrial production, these developments were indicative of gradual improvement in retail demand.

The domestic market for agricultural products continued to receive the great bulk of its needs from Canadian farms. The value of imports of such produce in the first nine months of 1935 approximated \$13,000,000, or about the same amount as for the corresponding period of 1934. This represented an unimportant fraction of farm products consumed in Canada.

Factors Affecting Farm Purchasing Power

Price Factors.—In December, 1932, the monthly average wholesale prices of Canadian farm products were only 42·6 per cent of the prices in December, 1926. This was the extreme low point of the depression. In April and again in September, 1935, wholesale prices of farm products reached 64·7 per cent of the prices for the corresponding months of 1926. This is the highest point that has yet been attained and it is more than 50 per cent above the lowest point. The general level of wholesale prices of farm products averaged approximately 7 per cent higher for 1935 than for 1934, although an average of all commodity prices has shown little change during the past two years.

It is worthy of note that at current levels wholesale prices of farm products are more than 10 per cent lower relatively to the general level of wholesale prices than in 1926. On the other hand, it should be borne in mind that the increase in farm product wholesale prices since the depression low point in February, 1933, has been 35 per cent greater than the increase in the general level of wholesale prices. While prices of farm products are still increasing at a slightly faster rate, the larger part of the gain noted above was in 1933 and 1934.



Indications are that the prices of goods purchased by farmers have not risen as rapidly as prices of products which farmers sell. This is shown by the fact that a provisional index of prices of farm purchases has risen only about 2 per cent in the last year as compared with a 7 per cent increase in the wholesale prices of farm products. The approximate increases in the prices of food,

clothing and household equipment purchased by farmers during 1935 was 1 per cent when compared with the prices for 1934. The increase in the average prices of farm operating equipment was about 3 per cent. As the prices of manufactured goods purchased by farmers have not advanced as fast as the price of farm products, farm incomes will purchase larger quantities of goods required on the farm. Farmers consequently will be able to make more of the necessary replacements in operating equipment than was possible during 1934.

Volume of Production and Farm Income

A consideration of the probable level of farm prices and of the volume of farm products to be marketed during the first half of 1936 indicates that, for Canada as a whole, farm income is likely to be somewhat higher than for the same period of 1935. As noted above, the movement of farm prices has been gradually upward, and the stocks of farm produce available for sale compare favourably with those of the preceding year.

The estimated combined production of fall and spring wheat was approximately the same in 1935 as in the previous year. There was an estimated decrease of 3 per cent in the production of spring wheat while the production of fall wheat was 87 per cent higher than during 1934. The purchasing power of farmers in the areas producing fall wheat should be enhanced as a result of the larger 1935 crop but in the principal spring wheat areas as a result particularly of the reduced quality of a considerable proportion of the spring wheat, the incomes of farmers in general are likely to be somewhat lower than in 1935. The 1935 production of oats, barley, rye and mixed grains in Canada exceeds that of 1934 by 30, 37, 96 and 4 per cent respectively. As a large proportion of these grains are used for live stock feed, the increased production in 1935 is likely to result in a larger production of milk and meat. During 1936 it might be expected that there would be some increase in farmers' incomes because of the larger quantities of animal products available for sale.

The production of potatoes in Canada in 1935 was approximately 19 per cent less than the crop produced in 1934 and about 16 per cent less than the average of the past five years. Prices during the late fall of 1935 were considerably higher in Eastern Canada and in British Columbia where the largest reductions in acreage and yield occurred. Potato growers should have a larger total income from the sale of the 1935 potato crop than was obtained from the crop produced in 1934.

The estimated production of apples for 1935 was about 5 per cent larger than that produced in 1934 and approximately the same as the average crop for the five years 1930 to 1934. Based on the probable demand conditions during the marketing season for the 1935 crop the income of Canadian fruit growers should be as large or possibly larger than that obtained during the previous marketing season.

The production of milk in Canada during 1934 was about three million pounds greater than during the previous year. The production of creamery butter for the nine months ending September 30, 1935, was about three and one-half million pounds larger than the volume produced during a similar period in 1934. The production of cheese and concentrated milk products will also exceed the production of 1934. Examination of the factors which will affect the production of dairy products indicates that production is likely to be maintained at reasonably high levels during 1936 and it is expected that the income of dairymen should be as high as during 1935.

Based on the number of animals inspected for slaughter and export, the increase in the number of cattle marketed during the first forty-seven weeks of 1935 was about 6 per cent. The increase in the number of calves marketed was

approximately 12 per cent. The marketings of hogs and sheep have each shown slight decreases of approximately 1 per cent. A consideration of the factors which are likely to affect the production and prices of live stock marketed during 1936 would appear to indicate that the total returns to producers from the sale of live stock would not be any lower than those obtained during the previous year. From the present outlook it would appear that the total returns to Canadian poultrymen from the sale of poultry products during 1936 will probably be about equal to those received during 1935.

Debt Revisions.—Under provisions of the Farmers' Creditors Arrangement Act passed at the 1934 session of Parliament, it became possible for farmers unable to meet their liabilities, to submit proposals designed to alleviate debt burdens. At October 1, 1935, approximately 90,000 farmers had interviewed Official Receivers with a view to submission of proposals, and nearly 16,000 farmers had actually made submissions, with the result that at that date 10,625 final settlements had been effected. The total debt of farmers represented by proposals submitted is in excess of \$70,000,000. The reductions effected in these debts as a result of meetings of creditors and decisions by the Boards of Review approximate the sum of \$12,000,000.

It is of interest also that the Province of Ontario has further reduced the rate of interest on agricultural loans outstanding from 5 per cent to 4 per cent during 1935. Further reductions in interest and principal have been effected through private negotiations between agricultural debtors and creditors. It is not possible to estimate the extent of such reductions, but they are believed to be substantial.

Farm Loans.—Conditions in the farming industry have not improved to a point sufficient to make rural mortgage loans an attractive field of investment for private funds, and very little private or company money has been advanced during the past year on this type of security. Provincial Government rural loaning agencies practically discontinued further loaning operations in the past year, due to lack of funds. On the other hand, the scope of the operations of the Canadian Farm Loan Board, a Dominion rural mortgage loan agency, has been increased in the past year through the initiation of loaning operations in the Provinces of Prince Edward Island, Ontario and Saskatchewan, so that this Board now has branch offices established and is actively engaged in loaning operations in all the provinces of Canada. Additional funds for loaning purposes were made available to this Board in 1935.

The interest rate on current long term loans secured by first mortgages on farm lands has been reduced from $5\frac{1}{2}$ per cent to 5 per cent. On current short term loans secured by second mortgages on lands and by a charge on personal property the interest rate has been reduced from $6\frac{1}{2}$ per cent to 6 per cent. These reductions in rates took effect in May, 1935. In the province of Quebec the interest rate to borrowers from the Board has been still further reduced by virtue of an Act of the Quebec Legislature. The Province has undertaken to contribute to the interest payable by borrowers on loans made by the Board so as to reduce the actual annual interest payable by the borrowers on current loans to a net amount of 3 per cent per annum.

Farm Wages.—The demand for farm labour improved during 1935. Wages including board rose from three to five dollars per month above those paid in 1934. In some specific types of farming such as tobacco growing, the supply was barely adequate, but generally speaking there was plenty of labour available. On account of improved crop conditions in many sections, there were fewer farmers' sons offering services as hired men. Prospects are that there will not be much change in wages paid during the winter of 1935-36 compared with those prevailing during the winter of 1934-35.

Farm Taxes.—Rural tax levies declined from 1930 to 1934. It appears, however, from such reports as are available that there will be little change in the levies in 1935 compared with those of 1934. In the Prairie Provinces, unfavourable crop yields will reduce farm income in some areas and collections will probably be lower than in 1934.

EMPIRE AND FOREIGN TRADE CONDITIONS

In most important countries evidences of an increased volume of industrial production are clearly established, the characteristic feature of the recovery being its dependence upon national markets and national policies. Judged by the gold value figures, which are so frequently cited, international trade continues at a low ebb. The volume figures, however, make a much better showing, although the upward trend in actual volume of trade has been very hesitant. World trade continues to be impeded by a multitude of state measures of control and interference, including currency manipulation and restrictions imposed on the movement of goods. This is particularly true of agricultural products.

The Problem of Currency Values

World-wide currency depreciation continues to affect vitally both the present situation and the outlook of Canadian agriculture, especially in relation to the important question of markets abroad. More than thirty national currencies are now depreciated, substantially in all cases but in widely varying degrees.

During the past year a measure of stability has prevailed in that very few major changes have occurred in the values of important currencies. This absence of pronounced movement, beneficial to trade in many ways, is not wholly reassuring. A better construction might be placed upon it were it not that the currency difficulty bears the aspect of having reached a stage of stalemate rather than of any evident means of approach to a permanent solution.

The effect on Canadian agriculture can best be briefly indicated by reference to the three principal markets for Canadian exports of farm products—those of the United Kingdom, of the United States, and of "Other Countries." The United Kingdom is incomparably the greatest single export outlet for Canadian farm products, with the United States a very important second. As a result of the revision of currency values during the past four years, a position has now been reached in which Canadian currency tends to remain in fairly close alignment with the currencies of the two chief customer-countries. Moreover, neither in the United Kingdom nor in the United States has it been necessary to impose exchange control in any one of the forms that so closely regulate and restrict the import trade of many countries.

Foreign countries, notably those of Western Europe, furnished for years an important outlet for Canadian farm products, and the maximum recovery of Canada's agricultural commerce is bound up with the recovery of those markets to the greatest possible extent. Prospects for such recovery can gain nothing from continuance of the present currency condition. This condition—one of a degree of stability, reached and maintained only by resort to every method of exchange control—tends to prolong and to solidify systems of trade restriction which, whatever their original purpose, are now considered of vital utility for purposes of currency defense. Countries which regard the preservation of their present currency position as a prime objective, whether they are countries with gold currencies or with depreciated currencies, are unlikely to relax trade and

exchange restrictions unless and until a change of objective asserts itself. It is the uncertainty as to whether and when revisions may take place in the exchange values of important foreign currencies that forms perhaps the chief impediment to the restoration not only of Canada's agricultural commerce but of world trade generally. Should such revisions occur in the form of devaluation of remaining gold currencies, with a consequent readjustment also of currencies that are already depreciated, it is impossible to foresee the effects in relation to the interests of Canadian agriculture. Anything that brings a closer approach to a final revision of currency exchange values must be viewed as constructive in the long-time sense. However, it is hardly possible to overlook, as of more immediate concern, the fact that currency depreciation up to the present has been of greater influence in the direction of lowering prices in foreign markets than in that of raising prices in the domestic market of the depreciating country.

Price movements followed divergent trends during 1935, but changes were not of large proportions. The vigorous deflation program of France was associated with one of the sharpest declines of the year, but lower prices were observed also in other remaining gold standard countries, as well as in Australia, South Africa, and Argentina. A marked degree of stability obtained in the United Kingdom and in Canada, with a slight tendency toward firmer levels in the fall months. Higher prices were in evidence in widely scattered countries, with the largest advance occurring in the United States, and in Belgium following the devaluation of its currency. Relatively stable foreign exchange relationships were preserved during 1935 with some difficulty. Considerable strain in the fall months led to further shipments of gold from Europe to the United States, but during this interval no other gold standard countries were forced to follow the example of Belgium. The pound sterling, the United States dollar, and the Canadian dollar fluctuated within moderate limits around their former par levels.

Trade Barriers

Closely interwoven with currency instability is the problem of trade barriers which continues to beset agricultural commerce. Agricultural protection in Europe has been increasing since 1925, and one of the characteristics of the depression has been the continuous narrowing of the free market open to exports of farm produce. A summary of the increases in duties alone would be misleading as to the importance of restrictive measures, because the institution of quotas, milling regulations, import monopolies, licensing systems, and exchange controls operates even more effectively to cut off imports. The wide adoption of these barriers to trade was brought out by the Swedish publication "Index," of February, 1935, in which it was shown that state trading monopolies were employed by 2 countries, import monopolies by 17, import licences by 27, import quotas by 27, export licences by 13, export quotas by 16, export subsidies by 14, and exchange controls by 36 countries.

The League of Nations' "World Economic Survey, 1934-35," dealing with new developments in commercial policy, reports as follows:—

"The overwhelming majority of trade negotiations, however, continued to result in bilateral agreements of a short term character. The list of these agreements is very long and, as they follow each other in rapid succession, their practical effect is not only restrictive of trade, but leads irresistibly to a greater degree of State control."

According to League of Nations publications, between October 1, 1934, and April 1, 1935, there were sixty-seven important bilateral trade agreements, apart from numerous clearing and compensation agreements effected. During the same period, a great variety of decrees was issued, extending import-licence systems.

altering quotas, tightening exchange controls, instituting export licencing, establishing State monopolies of certain imports, etc. From the standpoint of agricultural commerce, special significance attaches to the fact that European agriculture is fully restored from the disorganization of the war years. The index of agricultural production for Europe, excluding Russia, stood at 109 in 1934 as compared with 102 in 1928. While the volume of goods consumed may increase, it is unlikely that the relative proportion supplied by imports will approximate the levels of post-war years for a long period.

The more favourable factors are that, with any continuing stability in exchanges and external conditions, there should be a tendency to abandon the more extreme defensive measures which have been adopted in past years. A lowering of trade barriers is also possible through the negotiation of reciprocal trade treaties. In this connection the program of the United States Government is significant in that it should lead not only to reductions in United States duties but also to a lowering of the tariffs of those countries with which trade agreements are negotiated by the United States. The Canada-United States Trade Agreement, signed November 15, 1935, secured concessions for certain Canadian agricultural products in the markets of the United States. Even in countries which most promptly met the depression by resort to quotas or other restrictions and in countries which delayed longest the adoption of such measures, there is an evident desire to ease the restrictions placed on international trade. Progress or expectation of national recovery will tend to diminish the apprehension and pressure which were responsible in the worst depression years for the more extreme efforts to safeguard domestic production and credit.

The international outlook, presently disturbed and overcast, holds possibilities in the form of concerted trade measures which, if widely adopted and made effective over an extended period, may influence agricultural commerce in a manner and degree now impossible to take into account.

Exports of Canadian Farm Products

In the fiscal year ending March 31, 1935, Canada's exports of commodities which in their original state are produced on Canadian farms, were valued at \$262,432,000. Of this amount \$176,921,000 represented raw materials, including foods. Corresponding figures for the fiscal year ending March 31, 1934, were \$237,718,000 and \$157,517,000 respectively. In view of the rise in the prices of agricultural products during the period covered by these figures, the increase of Canada's exports was apparent rather than real. Actually a decrease in volume of exports occurred. The bulk of Canada's exports of farm materials goes to the United Kingdom and the United States, the former accounting for roughly 62 per cent of the total and the latter about 18 per cent in the last fiscal year. An improvement of the economic conditions in these countries is, therefore, of primary significance.

Conditions in the United Kingdom

The recovery of business continued in 1935, although hesitancy was shown in the early months of the year. The aggregate of bank clearings, which is a good indication of the general condition of business, was 6.4 per cent higher in the first nine months of 1935 than in the same period of 1934. The value of retail sales as shown by the Incorporated Association of Retail Distributors was for the first half of the trading year (February to July) 4.9 per cent higher than for the corresponding period in 1934, partly the result of the unusual stimulation provided by the Jubilee celebrations. The aggregate of railway and

tramway traffic receipts for the first nine months was only slightly higher than for the same period in 1934.

The position of labour showed noticeable improvement. The number of unemployed registered at Labour Exchanges dropped to less than two millions during July and August for the first time in five years, despite the fact that the normal seasonal trend of unemployment during the summer is upward.

During the first eight months of 1935 the value of total exports increased 7·9 per cent over the corresponding months in 1934, while the value of imports was virtually stationary. The resulting decline in the excess of imports over exports was 13·5 per cent. The increase in the value of exports was not accompanied by a similar increase in volume. Recovery in the United Kingdom still seems largely confined to industries producing for the home market.

The supply of loanable funds remains abundant at rates that are the most attractive for many years. The growth of bank deposits, interrupted in 1933-34 by the debt-funding policy of the Government, has been resumed. An additional stimulus to business confidence was provided by the announcement in the spring of another budgetary surplus.

Conditions in the United States

Economic conditions in general in the United States have shown considerable improvement during 1935. Although there was some contraction in the consumers' goods industries in the spring and summer, the revival of the capital goods industries is a factor of basic importance in recovery.

Evidence of the revival of capital construction is shown in the increase in construction contracts and in the issues of new capital. Apart from contracts awarded under government agencies, there has been a marked increase in construction financed privately.

Strength in the general industrial situation has been indicated by the increase in electric power production, by the continued demand for automobiles, and by higher production in the steel industry. The cotton industry has not shared the general improvement. The net profits of 260 industrial enterprises, according to the National City Bank, showed a 17·9 per cent gain in the first half of 1935 over the same period in 1934.

Foreign trade during the first eight months of 1935 showed an excess of exports on merchandise account of only \$27,000,000 compared with \$260,000,000 in 1934. This was largely the result of an increase in imports, chiefly within the animal products and vegetable food products groups.

Higher agricultural prices, together with benefit or rental payments distributed by the Government have increased farm income. The retail sales of the large mail order houses have continued to rise, and other retail trading has also improved. Generally, the improvement in retail trade has been greater in the agricultural than in the highly industrial areas.

Unemployment remains a dark spot, both in the large absolute numbers and in the numbers that depend for employment upon government projects. The revival of the capital goods industries, however, with the cumulative effects which it will have, is encouraging.

Conditions in Other Countries

Conditions in the other important countries have not shown any uniform tendency. In Germany industrial activity continued to increase during 1935, stimulated by heavy government expenditures. The whole import trade has now been brought under government control in order to restrict unnecessary imports. While exports are insufficient to pay Germany's foreign creditors, they are still sufficient to pay for the imports of essential raw materials.

The Scandinavian and other countries adhering to the sterling exchange level have enjoyed considerable recovery, and the economic development of Japan has been outstanding. On the other hand, during the first half of 1935 the depression deepened in France to such an extent that after much political instability a government was formed to re-adjust the national economy drastically by several series of emergency decrees. Conditions in the other countries of the gold bloc were unfavourable. After devaluation of its currency, Belgium experienced a very marked drop in unemployment, but by late summer the rapid improvement following this step had become a more hesitant movement.

GRAINS

Wheat¹

Although the world's wheat carry-over decreased during the past crop year by about 300 million bushels, the Canadian carry-over increased by approximately 10 million bushels. The provisional estimate of the production of wheat in Canada in 1935 is approximately 274 million bushels. Adding to this the carry-over of about 203 million bushels and subtracting the domestic requirements, estimated at 112 million bushels, the Dominion has for export or carry-over during the present crop year about 365 million bushels. During the first four months of the crop year official exports of wheat and wheat flour totalled 102,561,228 bushels as compared with 80,846,627 bushels for the corresponding period in 1934. The movement of high grade wheat to the United States for immediate consumption has been brisk but it must be remembered that the exports quoted above also include considerable quantities still held in bond there.

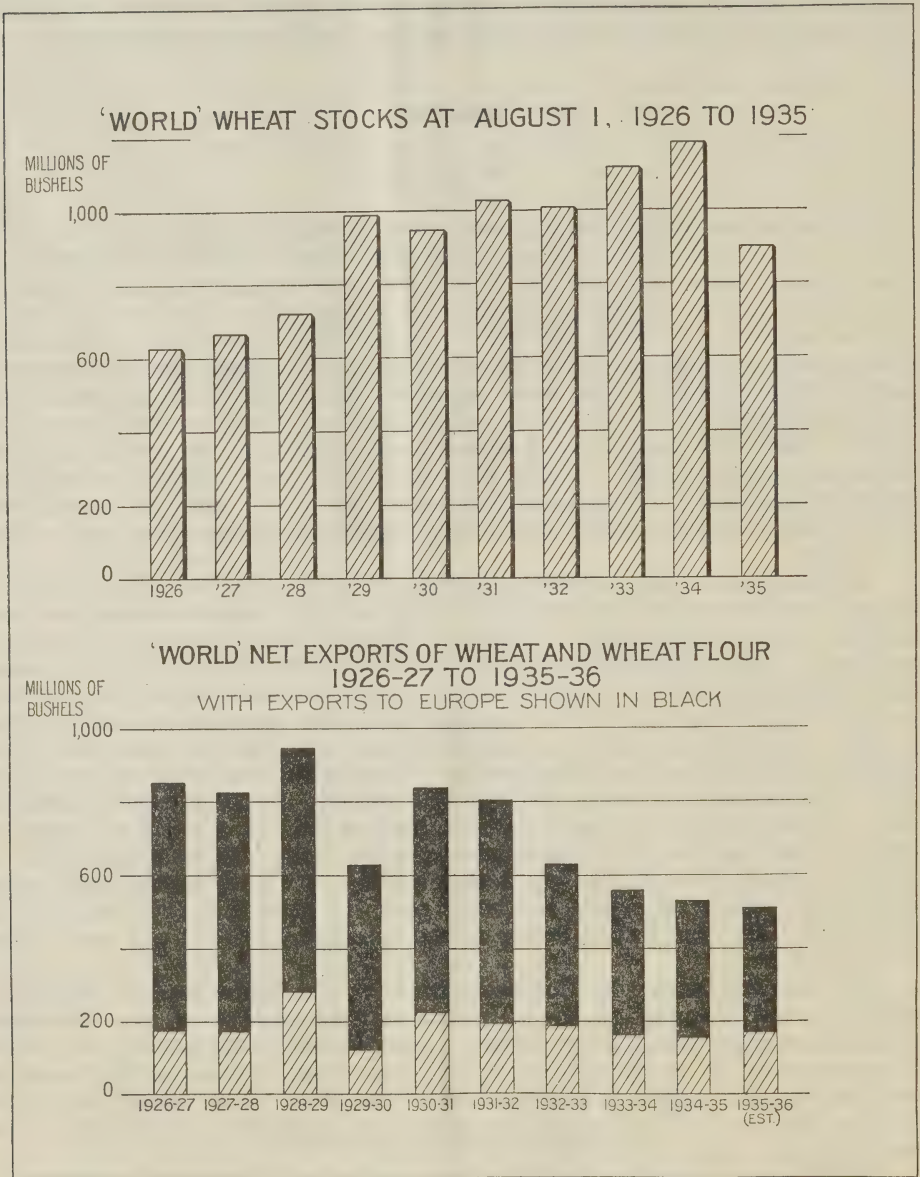
In 1934-35, the United States imported nearly 6 million bushels of Canadian durum wheat, over 8 million bushels of wheat unfit for human consumption, and slightly over 11 million bushels of hard spring wheat for grinding in bond and re-export. Total imports were a little over 25 million bushels. In the period from August 1 to November 30, 1935, the United States imported from Canada over 20.5 million bushels of wheat, nearly double the imports of the same period of 1934 and within 4.5 million bushels of the total for the whole crop year, 1934-35. While wheat unfit for human consumption was imported again last fall to the amount of about 2.5 million bushels, the increased imports are mostly in high grade hard spring wheat, paying the full duty of 42 cents per bushel. The need for this type of wheat in the United States arises from the damage done by rust to the yield and quality of the domestic hard spring wheat crop. High premiums are being paid for good milling wheats. It is considered likely that United States wheat imports in 1935-36 will reach 40 or 50 million bushels.

The trend of imports by European countries, due in the main to encouragement of domestic production, has been downward for some years. Any abatement in the nationalistic policies that have produced these results would undoubtedly be accompanied by an increase in world trade. This is a factor that must be considered in any long-time appraisal of the situation. The immediate outlook for any change in this respect according to available information is not encouraging.

World import requirements for wheat and wheat flour during 1935-36 are estimated by various authorities at between 500 and 560 million bushels. Canada may reasonably expect to furnish between 40 and 50 per cent of the total.

¹Rapidly changing conditions and uncertainties in the wheat situation make the preparation of a reliable summary or forecast extremely difficult. The accompanying report presents some of the more significant factors in the present situation.

In the first twenty weeks of the 1935-36 season, Broomshall's estimate of world shipments was approximately 189.1 million bushels, compared with 207.7 million bushels in the same period of 1934-35. Shipments to date from all producing areas, except Russia, have been below those of the same period a year ago. North America has secured a greater share of the world shipments this year, 38.5 per cent compared with 36.0 per cent a year ago, but the actual amount is about the same as that of a comparable period in 1934.



Should the present level of world wheat acreage be maintained and should production conditions return to normal the world surplus will probably increase and lower prices will naturally result. While it is too early to predict the world production for 1936 it is not likely that the unusually low yields of 1935 will be repeated.

A matter of more than usual interest, and one which should be regarded as being most significant, is that whereas formerly a policial situation in Europe such as now exists would have caused a rapid rise in the demand for wheat, no such tendency has been noted during the present disturbance, and the assumption is that no undue concern is felt regarding the adequacy of wheat supplies. The ultimate effect on demand of continuation or extension of the present conflict, of course, remains to be seen.

The basic factors of world demand and acreage remain unfavourable, but a fortuitous lowering of yields in the exporting countries gives Canada an opportunity to dispose of part of her accumulated surplus during 1935-36. The United States is definitely on an import basis this year. The Australian crop was again reduced by drought in western sections and is estimated to be only slightly above the small crop of 1934-35. While the full extent of drought damage to the Argentine crop can not be determined yet, reliable agencies favour an estimate of about 150 million bushels compared with 241 millions a year ago. Allowing for the sharp reductions in August 1 stocks in both Australia and Argentina and for the smaller new crop supplies in Argentina, the combined exportable surplus of the southern hemisphere countries in 1935-36 is 155 million bushels below that of 1934-35. This significant fact, coupled with the rust damage in the United States, largely explains the shifting of demand to Canadian wheat this year. The full effect of this situation will not become apparent until next May, when the bulk of the southern hemisphere surplus for export will have been moved into consumption. The characteristic marketing policy of the southern hemisphere has been to ship early and heavily. To some extent, the reduction in their supplies has been offset by increased Russian shipments, but increased Balkan exports, suggested by the improved harvests, have not been forthcoming.

This year Canada has a wide range of wheat grades and qualities for disposal. The lowest of these are selling at heavy discounts but under existing conditions this permits competition with the cheap wheats of other countries. It is estimated that the total Prairie wheat crop of 256 million bushels contains 52·8 million bushels of "Feed" wheat, and 65·9 million bushels in grades No. 5 and No. 6, including the "special" grades.

Although the prices paid this season for such top grades as No. 1 Hard and No. 1 Northern have been the highest since 1929-30, the average price realized for the 1935 crop to date has been about equal to that received for the 1934 crop. The reason for this is found in the substantially lower quality of the 1935 harvest. "Feed" wheat, for example, has sold at 37·5 cents under No. 1 Northern on a car-lot basis at Fort William and Port Arthur. Only a substantial advance in world prices would place the 1935 crop at a value above that of 1934.

Several factors encouraging sales of Canadian wheat this year might be mentioned. The premiums of Canadian wheat prices over those of competing sorts on the Liverpool c.i.f. market have been narrowed considerably—largely as a result of the changed supply situation in the southern hemisphere. The operations of the Canadian Wheat Board, established under legislation passed at the last session of Parliament, tend to make export prices more flexible. The rise in sterling exchange is also a slight encouragement to purchases in Canada.

While the wheat situation in so far as Canada is concerned is involved at the moment, yet this country must and will continue to produce wheat on a substantial scale. It should be noted, however, that in view of the greatly reduced world import demand the wheat produced by a normal yield on an acreage similar to that sown in 1935 would be difficult of disposal.

The quality of Canadian wheat has long enjoyed an enviable reputation on the world's markets and this must be maintained. In certain sections of the

West, but chiefly in the so-called "park belt", the quality is liable to be below the average and in such sections it would seem desirable to adopt a system of farming that would involve a diversion of some of this wheat land to other crops. Fortunately, these sections are better adapted to coarse grains and live stock than are certain other areas that are restricted largely to wheat.

Durum Wheat

In view of present market prospects it is considered inadvisable to extend the acreage in durum wheat in 1936.

It is estimated that 1,261,000 acres were sown to durum wheat in Canada in 1935 and production estimates place the crop at 16 million bushels. The quality is definitely poor. While the 1934 crop of durum wheat was readily marketed because of a shortage of quantity and lack of quality in the United States crop, this outlet is not available during the present marketing year. The 1935 production of durum in the United States is estimated as 27.8 million bushels compared with only 7.1 millions in 1934. European purchases of durum wheat have also declined greatly. In the large producing area around the Mediterranean, the 1935 durum harvest is placed at about 87 million bushels compared with 124 millions in 1934.

Fall Wheat

The crop of fall wheat in 1935 is estimated at about 15 million bushels. This is approximately twice the amount harvested in 1934. First estimates of the 1935-36 sowings place the area at 514,000 acres, a decrease of 25 per cent from the previous year, but 21 per cent greater than in 1933. The condition of the crop at October 31 was 85 per cent of the long-time average, as compared with 105 per cent at the same time last year.

Oats

Supplies of oats are much larger and better distributed over the Dominion than in the previous year. Export and interprovincial trade are likely to be limited in 1935-36, but total consumption on farms will be higher. A full acreage of oats should again be seeded in 1936.

Stocks of oats in Canada at July 31, 1935, amounted to only 26,445,000 bushels compared with 31,060,000 bushels on July 31, 1934, and 40,415,000 bushels, the average carry-over for the five years, 1929-1933. The production of oats in 1935, however, returned nearly to normal after the very poor yields of 1934, most of the increased production occurring in the Prairie Provinces, particularly in Saskatchewan. On the other hand, rust, heat or frost were responsible for lowering the quality of the harvest in many sections of the Dominion.

As a result of the increased production and better distribution of oats throughout Canada in 1935 a larger total consumption on farms will be encouraged but substantial interprovincial or external trade need not be expected. The anticipated increase in numbers of live stock in 1936 will not create an appreciable demand until late in that year but due to the plentiful supply and low prices, more liberal feeding will probably be practised.

While an increase in stocks of oats carried into the 1936-37 season is very probable, this should not cause concern as such supplies together with a normal 1936 crop will be needed if live stock numbers show the expected increase. While prevailing prices of oats are too low to make cash sales profitable, an ample supply of oats is necessary to assure profitable feeding of farm live stock.

Barley

While the export movement of barley has begun slowly and premiums for malting types are lower than in 1934-35, the value of barley as a feed grain would seem to justify an expansion of barley acreage toward that of the 1928-32 period.

The carry-over of barley in Canada at July 31, 1935, was 3,573,000 bushels compared with 11,092,000 bushels on July 31, 1934, and a 5-year average 1929-33 of 16,378,000 bushels. The 1935 crop, on the other hand, was 87.5 million bushels, an increase of 37 per cent above that of 1934. The quality of the 1935 crop, however, was lowered by rust and adverse weather.

Barley exports during the first three months of the current crop year have totalled only 1,722,000 bushels as compared with 4,984,000 bushels for the same period in 1934. The 1933 crop of the United States, to which country Canada exported substantial quantities last year, is more than double that of 1934. It would appear therefore, that the United States import requirements will be reduced. This reduction may be offset to some extent by overseas demand.

Irrespective of the export situation, interest in barley in certain sections of Canada continues for two main reasons. In the first place, the future of wheat as a cash crop remains uncertain; diversion of some acreage to barley serves to divide the risk. In the second place, there is a growing appreciation of barley as a feed for live stock, the market prices of which are relatively high. The demand for barley of a quality suitable for malting purposes, while limited to approximately five million bushels per year, has also stimulated considerable interest, although the premiums offered are now relatively low.

Rye

The Canadian production of rye in 1935 was much larger than in 1934 and with export demand limited by the larger supplies available in other countries, prevailing prices are considerably below those of the same period a year ago. It would not be advisable to expand spring rye acreage in 1936 unless some change in the market situation occurs.

World production of rye in 1935 was about 3 per cent above that of 1934 and most of the countries that absorbed our surplus in 1934-35 have larger domestic supplies this year. The rye acreage of Canada in 1935 showed another increase to offset some of the decline that has taken place since 1930. Rye did not suffer to the same extent from drought and rust as the other grains, so that a high yield per acre and a large crop were realized. The production was the largest since 1930. Whereas the United States was an outlet for Canadian supplies in 1934-35, that country has an abundant domestic supply this year. It seems probable that domestic utilization of rye will be higher than the small figure of 3,139,000 bushels recorded on July 31, 1935.

Flaxseed

Since Canada imported 911,000 bushels of flaxseed during the crop year 1934-35 and as building activity is increasing, flaxseed acreage might be increased to advantage in 1936.

The 1935 acreage of flaxseed was the lowest recorded since 1909, but with better growing conditions, the production was higher than in 1933 or 1934, amounting to 1,453,000 bushels. About 2 million bushels are needed to meet annual domestic requirements. Export outlets are limited despite the reduction in world supplies of flaxseed for 1935-36. Demand is expected to improve, however, under the influence of increased building activity in Canada and in countries such as the United Kingdom and the United States.

Buckwheat

A decrease of 7 per cent was registered in the area sown to buckwheat in 1935 as compared with 1934, and a drop of 5 per cent as compared with the five-year average from 1930-1934. The production estimate for 1935 places the buckwheat crop at 7,972,000 bushels as compared with 8,635,000 bushels in 1934 and an average of 8,672,000 bushels from 1930-1934.

Exports of buckwheat for the past crop year were 18 per cent greater than in 1934 but 6 per cent less than the 1930 to 1934 average. This decrease was largely due to smaller shipments to the United States.

Corn for Husking

The area of corn for husking in 1935 was 168,000 acres, an increase of 4 per cent over 1934 and 16 per cent over the 1930 to 1934 average. However, this acreage is only 59 per cent of the average of the period 1923 to 1925. The production estimate of 7,765,000 bushels for 1935 is 14 per cent greater than the crop of 1934, and a 38 per cent increase over the average of 1930 to 1934.

Imports of corn during 1934-35 were 44 per cent greater than in 1933-34, amounting to over 9 million bushels. South Africa and Argentina, displacing the United States as the chief sources, supplied over 7 million bushels in the crop year ending July 31, 1935. The total imports of corn during the year under discussion were 4 per cent greater than the average of the five-year period 1930 to 1934. Under provisions of the trade agreement recently signed with the United States, corn imported from that country for use in the preparation of cereal products for human consumption or starch is on the free list. Corn for other purposes is granted the intermediate tariff of 20 cents a bushel, which is a reduction of 5 cents on the general tariff of 25 cents formerly in effect.

SEED GRAIN, CLOVER, ALFALFA AND GRASS SEED

Seed Grain

The seed grain for 1936 in Eastern Canada is believed to be adequate with no areas of real shortage. Oats and barley in Eastern Canada may be light in weight this year, the result of too rapid ripening at the end of the growing season, but should germinate satisfactorily. Early frosts damaged germination of these grains over large areas of the Prairie Provinces and these areas will need to be supplied with seed from localities which escaped the frosts. However, if immediate steps are taken in obtaining a supply there should be sufficient good seed to meet the need. Black stem rust played havoc with the wheat crop in southern and central Manitoba and in eastern and southeastern Saskatchewan. Any shortage of seed caused by the rust may be met by using the best qualities of carry-over wheat from the 1934 crop in store in local elevators. Farmers should give immediate attention to this matter so that in all parts of the Prairie Provinces they may have an adequate supply of seed next spring. The production of pure seed grain from inspected crops was well maintained last year but is still inadequate to meet the need for pure seed, on the use of which depends the retention of our export markets.

Wheat.—The prospect of ample seed supply of wheat from the 1935 crop in Western Canada is unfavourable. Heavy rust infestation, drought, hail, and frost seriously reduced both the quality and yield of this crop. The province of Manitoba might be short of seed of the common or bread wheats but for the

fact that substantial stocks of old wheat were held by several elevator companies. In the provinces of Saskatchewan and Alberta it is expected that adequate supplies will be available from the new crop provided that distribution is assisted and directed. The quality of this seed, however, will be below average. Special care should be exercised in respect to the use of rusted wheat for seed. The supply of durum seed wheat of the new crop is expected to be adequate and of satisfactory quality, this wheat being more rust resistant than the common spring wheats. In the rest of Canada where wheat is of less importance there should be ample seed wheat for 1936.

The 1935 acreage of inspected seed crops devoted to wheat was about the same as in previous years, the estimate of total yield being 507,000 bushels. This seed provides an excellent source of supply of improved quality for distribution through the Seed Exchange Policies of the Prairie Provinces through which farmers may exchange seed of their own production for that of an approved variety. A larger production of wheat derived from inspected seed crops would seem warranted as a source of supply for this purpose and in improving the quality of Canadian wheat for the export trade.

Oats.—Early frosts are reported to have seriously impaired the germination of oats of the 1935 crop over large areas of the central and northern parts of the Prairie Provinces, including the Peace River country. An acute shortage of seed is anticipated as a result, particularly in Alberta. There may be sufficient oats suitable for seed in 1936 if distribution is given immediate attention and before the best oats for this purpose enter commercial and export trade channels.

In other parts of Canada there seems to be ample oats for seeding purposes next spring with no real shortage areas. The general quality of the oats produced in Eastern Canada is below average, the result of drought, rust, and too rapid maturity. Unfavourable harvesting weather affected the colour. The germination of these oats, however, is generally satisfactory, although in some parts of Nova Scotia late August and early September rains caused some sprouting when in the shock.

The production of oats derived from inspected seed crops was well maintained in 1935, the estimated yield being 798,000 bushels. Later reports from Western Canada, however, are to the effect that this estimate may be reduced somewhat owing to frost damage, especially in the province of Alberta. Oats from inspected crops are usually in demand at higher prices than commercial oats for seed or milling purposes. The production of such seed from approved varieties should be encouraged in the interest of better commercial oats for the domestic and export markets.

Barley.—There was an increased production of barley in 1935 following an improved demand for seed and malting barley in 1934. The quality of the crop, however, is generally below average. In Eastern Canada the grain was light in weight owing to unfavourable ripening conditions. The crop in Western Canada suffered in quality through drought, frost and rust and also in Manitoba from excessive rain at harvesting time. Frost injury spoils germination, but an adequate supply of barley that escaped the frost is available in the Prairie Provinces for 1936 seed requirements. Some interprovincial and local distribution of the seed may be necessary so that adequate supply is available to the shortage areas.

Some 228,000 bushels of field inspected seed barley, eligible for a registered or certified grade, were produced in 1935, the largest part being in Western Canada. This improved seed is mainly of the variety O.A.C. No. 21 and should meet with good demand for seed or malting purposes. Sound plump barley of pure varieties suitable for malting should continue to be in demand.

Rye.—The production of fall and spring rye increased markedly in the Prairie Provinces in 1935. As the rye crop is harvested early there is always a tendency to market it as commercial grain which sometimes causes a shortage of seed supply. Farmers who wish to grow rye should produce their own seed or obtain it early in the season from other growers or seedsmen.

Corn.—The production of seed corn in Canada is confined largely to southwestern Ontario but smaller quantities are grown also in Quebec and the Prairie Provinces. The 1935 seed crop of corn in southwestern Ontario is estimated at 2,250,000 bushels as against 1,200,000 bushels in 1934 and is said to be of good quality. This means an abundance of seed corn of both flint and dent varieties for the ensilage growers in Eastern Canada next spring. The seed corn requirements of Western Canada will likely be met as usual by local production and with American corn.

The production of seed corn of varieties suitable for registration is now sufficiently developed in southwestern Ontario to ensure some supply of seed of superior quality. A seed corn distribution policy through which corn growers might obtain this pure seed by exchange or otherwise should go far in improving the quality of the corn produced in Eastern Canada.

Clover, Alfalfa and Grass Seeds

These seeds, except alsike, are now in fair supply in Canada and the United States, due to increased production in 1935. Timothy was a particularly large crop, the United States producing enough to be again on an export basis, while for the first time in history Canadian production was much in excess of normal domestic requirements. The alsike crop was again decidedly short, and reports from Europe and the United States indicate shortage also, so that imports of this seed in much volume are not likely. However, any shortage of alsike may be met substantially by substitution with other clovers as was the case in 1934. The 1935 Canadian production of red clover was far short of the 1934 crop, but suitable European seed is believed to be available for increasing the supply.

The export market for these seeds has become increasingly selective in recent years. There was a time when most of the surplus seed could be sold to advantage in some of the European countries and in the United States. These countries, however, have expanded greatly their home production or else have raised their import standards of quality to a point which excludes any but high quality seeds. Great Britain which now gives a preferential tariff advantage to Canada has a minimum import standard of 98 per cent purity, and the same standard applies in the United States. Accordingly the saving of seed from weedy fields in future will likely prove a loss to the grower, unless the weed seeds are of a type that may be removed readily. If the seed will not meet the minimum standards under the Seeds Act, it may not find a market at home or abroad.

The new trade agreement with the United States should result in a greater movement of seeds to that country as the United States import duties on most field seeds have been reduced substantially from those previously in effect.

Red Clover.—The estimated normal annual consumption of red clover seed in Canada is 4,000,000 pounds as against a total production in 1935 of 1,520,000 pounds plus a carry-over from 1934 of about 300,000 pounds. Substantial imports of red clover seed will likely be made from Europe before spring to meet the demand. This imported seed should come from northern parts of Europe, preferably Great Britain or Scandinavian countries, or the northern United States. Failures in the 1935 Canadian crop in most localities were due to a poor

catch of clover in 1934 caused by drought and winter killing. Domestic red clover seed usually commands a price premium of a few cents a pound over the imported sort. The average price of the domestic seed to growers in the past five years was about 17 cents per pound for No. 1 grade.

Alsike.—The Canadian alsike seed crop was small again in 1935, the total yield in Ontario, the main producing area, being estimated at 750,000 pounds and a total Canadian crop of 800,000 pounds. A poor stand of alsike due to the 1934 drought was mainly responsible for the short crop this past year. The annual normal domestic requirements are about 1,500,000 pounds so that there is only a small supply for seeding next spring. The supply will be augmented by alsike-timothy mixtures, containing varying percentages of alsike, and of which about 1,500,000 pounds is available in northern Ontario and Quebec. It may be expected that a deficiency of this seed will be met by substitution with other clovers, particularly with red clover and alfalfa.

Alsike prices reached high levels in 1934, Canadian growers receiving as high as 30 cents per pound for No. 1 grade. Prices this year are at a slightly lower level. While such high prices cannot be expected to continue long, a much larger production of alsike seems warranted as a profitable venture. There has been insufficient production for home consumption in 1934 and 1935 and clean pure alsike is a dependable export item. There would seem to be an opportunity for the development of new alsike growing areas on clean suitable land.

Alfalfa.—The 1935 domestic production of alfalfa seed in Canada is estimated at 2,185,000 pounds, or about sufficient for ordinary domestic requirements next spring, and slightly less than the production of 1934. As usual most of the seed in 1935 was produced in Ontario with lesser quantities in western Quebec, the Prairie Provinces and British Columbia. Prices to growers in 1934 ranged from 15 cents to 22 cents per pound for No. 1 grade. Slightly lower prices are being offered this year, as seed prices generally are lower than in 1934 when timothy reached unprecedented values and carried prices of other seeds to high levels. There was a small carry-over from last year but ordinarily domestic demand absorbs all the alfalfa seed grown in Canada. Continued production of this seed is recommended.

Sweet Clover.—The domestic use of sweet clover seed in recent years has been about 3,000,000 pounds annually, although perhaps more was seeded in 1935. The increase was due to substitution of it for other clovers and timothy. The 1935 production is estimated at 2,500,000 pounds which with a carry-over of about 500,000 pounds from last year should easily meet domestic needs next spring. The average prices to growers in the past five years have been about 3 cents per pound for No. 1 grade. Ordinarily there is no large export outlet for sweet clover seed so that in good years of production it is possible that supply may exceed domestic requirements.

Timothy.—The annual domestic consumption of timothy seed is about 10 million pounds, but in 1935 owing to extremely high prices only some 7 million pounds were used. However, with the lower prices in prospect for next spring the use of timothy seed will likely increase. Domestic production in 1935 was unusually large, amounting to about 12 million pounds. For the first time on record there is a surplus which must either be exported or carried over for another year. Growers received an average price of 17 cents per pound in 1934 for No. 1 grade as against 9 cents over the past five years. This year prices are extremely low ranging at the present time from 3 cents to 4 cents per pound, the result of an over supply with practically no export outlet. However, a recurrence of such a large crop for some years is unlikely. In 1935 there was an abnormally large hay crop which permitted farmers generally to save their

timothy fields for seed without interfering with their hay and fodder supply. Then too, the exceptionally high prices of 1934 stimulated production. In the circumstances a continued production of this seed would seem to be desirable in areas adapted to the production of clean seed.

Brome, Western Rye Grass and Crested Wheat Grass.—The production of brome and crested wheat grass in the Prairie Provinces was greatly increased in 1935. Some 3,150,000 pounds of brome grass seed were harvested in 1935 as against 1,500,000 pounds last year. Saskatchewan was the main province of production with lesser quantities produced in Alberta and Manitoba. The 1935 production of crested wheat grass increased to 280,000 pounds from 60,000 pounds in 1934, the increased production being mainly in Saskatchewan. Western rye grass is losing popularity in favour of brome and crested wheat grass. There may be more brome grass seed than the market will absorb next spring owing to the large supply in sight. Crested wheat grass is becoming more popular each year, so that no difficulty should be met in selling the seed in the domestic and export markets.

Other Grasses.—There was a fair crop of Canada blue grass seed in 1935, which replenished the low domestic supply of the last two years. The 1935 crop was estimated at 90,000 pounds. A large production of Kentucky blue grass seed in the United States in 1935 will make it difficult to export Canada blue grass seed to that country, which has always been the main export market for this seed. However, domestic demand should absorb most of the 1935 production. This grass is now receiving more recognition for its value in pasture mixtures.

A fair crop of fine quality seed of the bent grasses was produced in the Maritime Provinces in 1935. These grasses are necessary for golf courses and for use in fine turf mixtures. The bent grass seed industry in the Maritimes has been developed in competition with foreign bent grass seeds which once supplied the entire domestic market. The Canadian seed trade is gradually handling more Maritime seed. The Maritimes should be able to supply the domestic demand and some export trade in bent grass seed.

THE FEED SITUATION

The feed situation in Canada as a whole shows marked improvement over that of last year. There are few places where supplies of hay are inadequate. Some sections of the country have a considerable surplus over local requirements. The alfalfa crop was especially productive. Fall condition of pastures generally, and of range areas in the Prairie Provinces and British Columbia, is above the average of recent years and may be described as satisfactory. The yield of coarse grains as a whole is very satisfactory but the quality, from the standpoint of "grade," leaves much to be desired. In Western Canada rust and heavy frosts damaged wheat, oats and barley severely. This has resulted in abnormally large supplies of feed grain. The production of fodder corn was slightly greater than last year, while that of turnips and mangels was appreciably less. Corn grain was an excellent crop in western Ontario. New seeding of grasses and legumes in 1935 was at least as extensive as in previous years, and generally speaking, good establishment was obtained. Considerably larger numbers of cattle than usual have been shipped from Western Canada to feed lots in Ontario, where feed is especially plentiful this year. Large surpluses of market hay are available in certain districts, but the export demand is expected to be small, as supplies are reported to be adequate both in the United States and Great Britain.

Maritime Provinces.—Hay production in the Maritime Provinces was 19 per cent greater than in 1934, but still 7 per cent below the average of the previous five years. There was practically no carry-over from 1934. Domestic

demand is much less than last year because of more adequate supplies, but additional supplies of hay will be required in some districts. In Nova Scotia and Prince Edward Island, the acreage seeded to timothy and clover this year was not much different than in previous years, but in New Brunswick the reduction in acreage of new seedings is estimated at 15 to 20 per cent. Condition of the new meadows as they went into the winter was satisfactory. Pastures were poor during the late summer owing to dry weather, but there was considerable improvement in the late fall. The root crop was injured by dry weather and suffered severely from cutworms and root maggots, so that the yield of turnips and mangels is expected to show a decrease from the average of about 25 per cent. The production of coarse grains varied a good deal with locality. On the whole the yield and quality of oats and barley was below average. The total production was about the same as in 1934, in spite of a small increase in acreage. The feed situation in the Maritimes could be improved by increasing the quantity of coarse grains. The acreage of roots could also be increased with advantage.

Quebec.—The production of hay in the province of Quebec was about 6 per cent greater than in 1934, but slightly lower than the average of the previous five years. The St. Lawrence Valley produced a yield of hay which was estimated to be 20 per cent greater than normally expected. In the Gaspé Peninsula, on account of severe drought, the average yield was reduced by 30 per cent. The total quantity of hay harvested in the Eastern Townships approaches an average crop. In Quebec as a whole, clovers were severely winterkilled, but the timothy was harvested under favourable conditions and the quality was above average. The carry-over of hay from 1934, which occurred in some districts, was very much reduced by shipments to Nova Scotia. Supplies for the winter of 1935-36 are expected to be adequate on the whole with surpluses in restricted areas. The extent of new seedings of grasses and clover in 1935 was slightly below the average of the last five years, and in those districts which suffered from drought during the summer months, as in the Gaspé Peninsula and the Eastern Townships, the growth of young plants was not as strong as usual. Elsewhere, especially in the St. Lawrence Valley, the fall condition of new seedings was excellent.

Pasture conditions throughout the summer were above average, although somewhat retarded by dry weather in certain districts. A good recovery was made, however, following favourable precipitation in the late fall, so that pastures entered the winter in good condition. The yield of ensilage corn in the Eastern Townships was slightly above average, but field roots throughout the province were estimated to be 28 per cent below the five-year average. The acreage and yield of coarse grains were about 4 per cent lower than the average of the previous five years, and were slightly lower than in 1934. The quality of the grain was not as good owing chiefly to premature ripening during the very hot and dry weather at the end of August. The weights per bushel for the past season were considerably lower than usual.

Ontario.—The province of Ontario enjoyed a very favourable growing season for practically all classes of crops. During the early part of the season there was an abundance of moisture which favoured the hay crop, and gave a yield of grass and clover estimated at more than 60 per cent above that of last year and 12 per cent in excess of the five-year average. Alfalfa was even more productive; the estimate being 63 per cent over 1934, and 24 per cent greater than the five-year average. In southwestern Ontario, yields of hay, were nearly double those obtained in 1934. With an abundance of hay on hand and little domestic or export demand, there has been a strong demand for feeder cattle, and larger numbers than usual were brought in from Western Canada. Due to the quantity of hay available, it is being fed rather liberally this year, and

considering the number of feeder cattle which have been brought into the province, it is not expected that the carry-over of hay will be very great. Seedings of timothy, clover and alfalfa for 1935 were considerably above normal, mainly as a result of the hay shortage and the poor condition of new seedings in 1934. In general, the fall condition of these new seedings was fairly good, owing to an abundance of moisture during the early growing season. Pastures were in fair condition last fall, although they suffered at times during August and September from lack of moisture. Moisture reserves were rather low during early October, but the condition improved subsequently.

The acreage of oats was about the same as in previous years, but the yield was about two and a half bushels per acre greater than in 1934, and two bushels better than average. A similar increase over previous years is indicated for barley, and owing to a considerable increase in the acreage it is estimated that the total production of barley was over 2,000,000 bushels above that of last year, and above the average of the previous five years. The quality of the coarse grain crop, however, was quite variable, and on the whole below average. There was much damage by lodging and rust, especially in western and central Ontario, while in eastern Ontario very dry weather when the grain was filling resulted in too rapid maturity and loss of weight per bushel.

The acreage of corn for husking in southwestern Ontario increased at least 25 per cent over 1934, while the acreage of corn for the production of fodder in the province as a whole was about the same as for last year. The yield of husked corn will be considerably in excess of that obtained last year while the total yield of fodder corn was estimated as slightly greater than in 1934, and 21 per cent above the previous five-year average. Turnips and mangels, on the other hand, yielded less than in 1934 by about 12 per cent, due mainly to cut-worm injury early in the season and lack of moisture during August and September.

Manitoba.—Bumper hay crops were harvested in Manitoba in 1935. It is estimated that production was over 24 per cent greater than last year, and 42 per cent above the average for the previous five years. Abundant rain throughout the summer resulted in excellent growth and heavy yields, but the wet weather greatly interfered with hay making, the cutting in many cases being unduly delayed, and conditions for curing very unfavourable. In consequence, the quality of the hay is much poorer than usual. Sheaf feed also and cereal straw are of relatively low feeding value, due especially to heavy infestation of rust. Considering the amount of hay on hand at the present time, it would appear that about one-quarter of the 1935 crop will be carried over to the fall of 1936. New seedings of grasses, clovers, and alfalfa in 1935 showed a considerable increase, and excellent growing conditions provided good catches and a strong growth. Abundant rain throughout the summer resulted in excellent growth on established pastures, and the pasture condition in the fall was exceptionally favourable.

The acreage of oats and barley was only slightly less than for last year, while the total yield is estimated at 23 per cent and 36 per cent respectively greater than in 1934, and about the same as the previous five-year average. The grain, however, is of poor average quality, oats in particular being of low feeding value, due to the rust epidemic which prevented the seed from filling normally. Barley also is of lower than average grade. Stem rust was responsible for destroying much of the wheat crop, the grain which was harvested and threshed being badly shrunken. It is anticipated that a large amount of this wheat will be heavily cleaned for seed, and the shrunken grain which is cleaned out fed to live stock. The supply of grain for feeding purposes will be more than adequate.

Saskatchewan.—The feed situation in the province of Saskatchewan is much more satisfactory than it has been for several years. With the exception of a few municipalities on the western border of the province, there are no large areas which will not be self-contained in respect to feed, although in some places local transfers of feed will be necessary in order to effect a better distribution. This year the northwestern section of the province suffered from drought, whereas the southeastern part of the province, where crops were almost a total failure last year, enjoyed excellent growing conditions. In the areas where rust was most severe, there is available an abundance of roughage and quite good crops of coarse grains. There are a few municipalities, however, in the extreme southeast corner of the province where rust affected the oat crop as well as the wheat. The oats that were threshed in this area were very light.

Rust was very destructive of the wheat crop in the entire southeastern quarter of the province. That portion of the acreage which it was considered worth while to cut and thresh produced a very low yield of badly shrunk grain, a considerable proportion of which is unsuitable for milling purposes. The latter will augment the supplies of feed grain. On account of the abundant supplies of hay and roughage, as well as coarse grain and rusted wheat, in this section of the province, it is expected that supplies will be considerably in excess of local requirements. This is especially so in view of a decrease in the live-stock population in this same area, resulting from the absence of feed in 1934. The western third of the province, on the other hand, will have only enough supplies of feed to carry the livestock through the coming winter season.

While there is sufficient feed on hand in the province as a whole and abundant supplies in the eastern half of the province, it would be well to keep in mind the necessity of building up a reserve against the recurrence of dry years. Even this year there will be practically no surplus in the western half of the province, and an actual shortage in some sections. It would seem advisable, therefore, that the acreage of grain crops for feed should be maintained or increased. Advantage could be taken of the more favourable moisture conditions which now obtain in many places to seed brome grass, alfalfa, or sweet clover. An expansion of the alfalfa acreage in the park belt is especially desirable. As soon as crested wheat grass is available at reasonable prices, this crop can be used to advantage in drought areas for permanent regrassing and for hay and pasture.

Alberta.—The feed situation generally in Alberta is much improved over last year. The drought area is not as extensive, and even within its borders some crops have been harvested for feed. Throughout most of the province to the north of Red Deer, and including the Peace River area, moisture conditions were exceptionally favourable for the growth of crops throughout the season. Seeding, however, was later than usual, and crops developed slowly owing to cool weather, with the result that fall frosts occurred before cereal crops were mature, severe damage resulting over large areas. The extensive frost damage north of Red Deer has supplied a very large quantity of feed wheat, which in many districts will take the place of coarse grains for feeding. Severe frost damage to oats and barley was reported from many districts, so that the effect has been to greatly lower the feeding value of grains. Large amounts of seed oats and barley will be required in many districts thereby releasing additional quantities of screenings for feed. Very favourable moisture conditions throughout the growing season in this northern section of the province resulted in an abundance of hay and roughages, and large quantities of feed grain. No difficulty is anticipated, therefore, in securing adequate supplies of feed within the province to meet all requirements, and in some districts there is likely to be a considerable carry-over.

The areas most severely affected by drought include about thirty-five municipalities extending from Medicine Hat on the south, almost to Wainwright on the north, and from the Saskatchewan boundary westward over about four

municipalities. To this must be added about seven municipalities in and around the Retlaw-Lomond area. It is estimated that 5,000 tons of fodder will have to be shipped into these drought areas. There is likely to be also a shortage of feed grain in certain other districts due to heavy frosts and severe hail losses. A conservative estimate of the amount of the feed grain that will be required is 1,000,000 bushels.

In the ranching area between Medicine Hat and the United States border, and also in the foothills of the Rocky Mountains, pasture and range conditions are above the average for recent years and may be described as normal. Winter feed crops on irrigated land, which consist mostly of alfalfa, have produced satisfactory yields as compared with last year, and considerably better than the average of the last five years. Substantial shipments of heavy cattle were made to the United States and younger stock was moved in considerable volume to other provinces in Canada for feeding or slaughter. There has been also a fairly steady movement of cattle to market. These factors should considerably relieve the feed situation in areas where good grazing and winter feed are none too plentiful.

In those sections of the province where moisture is the chief limiting factor in crop production, a special effort should be made to build up reserves of feed. This policy has long been followed by the best ranchers. Any arrangements which tend to facilitate the movement of cattle and sheep from summer grazing areas to sections with surplus winter feed would benefit both the producers of livestock and the farmers on arable land.

British Columbia.—The Fraser Valley hay crop in 1935 was average in both quantity and quality, with abundant supply for local needs. The usual acreage of new seedings of grasses, clovers and alfalfa was put down, and these went into the winter in excellent condition. The fall condition of pastures was excellent. Yields of coarse grain, corn and roots were about average. The livestock population has not changed materially, and supplies of feed on hand are considered adequate.

In southern interior districts, heavier crops than usual of hay and other forage were harvested, but the quality of the alfalfa hay in some cases was impaired by rain during harvest. In the Cariboo district of the central interior, and the Peace River Block, supplies of hay and forage are adequate for all requirements this winter. Ensilage corn was damaged by early frost throughout most of the province. Good crops of field roots were harvested, especially in districts of the interior, but on the lower mainland there was some injury from frost, and field roots are being fed early to avoid spoilage.

As a result of the very late spring, growth on the ranges, in the interior of British Columbia, was about three weeks later than in 1934. Good rain, which commenced early in July and fell frequently during July and August, came too late to be of much help on the lower open ranges, but produced an excellent growth on the upper timbered ranges. During July and August the precipitation was decidedly above normal throughout the interior of British Columbia. Due to lack of September rain there was very little fall growth on most of the lower ranges, and in consequence, in comparison with 1934, the fodder supplies on the fall ranges were short. Rains sufficient to improve pasture conditions did not begin until after the middle of October, too late to produce much fall growth. In general, the supply of winter forage is smaller than in 1934, both alfalfa on irrigated land and the native hay crop yielding less. In addition there is much spoiled hay resulting from the frequent rains which occurred during the early part of the haying season.

Large quantities of prairie wheat of the lower grades are used for chick feeding on Vancouver Island and in the lower Fraser Valley. It is not anticipated that there will be much change in the amount of imported grain required during the coming season.

LIVE STOCK

Beef Cattle

The beef cattle market in Canada was greatly influenced during the past year by an abnormal scarcity of beef and feeder cattle in the United States. Early in 1935, prices in the United States were sufficiently high to make possible the export of Canadian cattle despite the tariff. This exportation of cattle established a higher price in the Canadian market than would otherwise have been the case. This situation, associated with a good crop, strongly stimulated domestic demand for feeding cattle, and at the close of 1935 there were more cattle on winter feed in Canada than in recent years. As a result of the Canada-United States Trade Agreement the cattle industry has an opportunity for some increase in exports of cattle of weights exceeding 700 pounds, and of veal calves. While United States cattle prices in the spring and summer of 1936 may not approximate those of a year earlier, the reduction in tariff will largely compensate for any lowered prices which might develop. Prospects for exports of beef cattle to the United Kingdom market are not good.

Production.—The number of cattle on feed in Ontario this winter is greater than in a number of years. The movement of store cattle to Ontario country points from all sources up to December 5, 1935, was 133,000 head, compared with a total of 51,000 head during 1934 and 61,000 head during 1935. Prices for feeder cattle in Ontario were above those of 1934 and quite close to prices for top grades of butcher cattle. Considerable numbers were bought for quick finishing. Farmers and commercial cattle feeders have good supplies of feed corn, grain, roots, hay and straw.

Alberta farmers have considerably more cattle on feed in the central and southern areas than in 1934-35. This was to be expected in view of the general improvement in pastures, crops, and prices, although some small areas reported a feed shortage. Operators of feed-lots adjacent to stock yards began feeding in October, largely for a long period, but fair numbers are being finished for early sale. Cattle feeders in Alberta have been somewhat uncertain regarding market prospects because of competition as a result of the enlarged feeding program in Ontario. This uncertainty may be offset by the reduced tariff on Canadian cattle entering the United States.

Substantial shipments of heavy steers were made to the United States throughout the autumn, and younger cattle were moved in considerable volume to other provinces for feeding or immediate slaughter. There appear to be more than ample feed supplies within the province for the cattle on farms. A feature of the autumn trade was a renewed demand for range calves at prices nearly double those obtainable a year ago. Several large shipments were made to United States feed-lots, but purchases by Prairie cattle feeders were also an important factor in the market.

The province of Saskatchewan has ample feed supplies despite some inequalities in distribution. Cattle on farms at June 1, 1935 were 1.2 per cent less than a year ago, but heavy marketings occurred during the late autumn. While store shipments off yards to Saskatchewan points were larger than a year ago, they were not heavy, but it is believed that a considerable number of good steers are being held for feeding purposes.

Heavy sales featured the autumn market in Manitoba, but there are a considerable number of cattle on hand to utilize part of the abundant supply of roughage and feed grains. Feed is much more evenly distributed over the province than it has been for some years. Demand for feeders strengthened in

the latter part of 1935, resulting in an appreciable rise in prices. This diverted buyers to the cheaper grass calves. It is estimated that more cattle are on grain feed in northern Manitoba—probably as many as during 1933.

The province of Quebec is essentially devoted to dairying and depends largely upon other provinces for its fed beef supply. In the provinces of New Brunswick, Nova Scotia, and Prince Edward Island, prospects are for little change in winter feeding. Feed supplies are light in some areas of the provinces, but generally they are sufficient to carry the live stock through the winter in good condition.

In British Columbia, the spring was late, delaying the opening of the grazing season for range cattle. Cattle were in exceptionally good condition during the summer and autumn but there was little beef marketed early. Apparently there was a general shortage of steers in the range country at the close of the year, and buyers were anticipating higher prices. Demand for feeder cattle improved after being rather slack during the autumn. In the general farming areas there is more roughage and grain available than since 1930.

Marketings.—Marketings of commercial cattle showed a sharp increase during 1935. The increase from Ontario was offset by substantial return shipments of steers, cows and heifers to farms for feeding. The comparatively heavy market shipments from the Prairie Provinces represented part of the larger production which had taken place in those areas. Total marketings during 1936 are expected to be equal to or greater than in 1935, with a considerable increase in the percentage of grain-fed cattle from Ontario and the Prairie Provinces.

Prices.—During 1935, cattle prices were somewhat higher than in the previous year. This was a result of improvement in domestic demand and substantial exports to the United States where prices were higher than for some years. While a recurrence of the high prices of beef cattle during the spring and summer in the United States is not expected, the influence of that country will continue as a price factor in the Canadian market throughout 1936. The United States Bureau of Agricultural Economics predicts a somewhat lower price for winter finished cattle. Further improvement in urban pay rolls in Canada is anticipated and will be associated with an improvement in demand for meats. The consumption of beef in Canada remained fairly high in 1935, despite rising prices.

Export Market.—During 1935, total exports of Canadian cattle and calves exceeded those of the previous year by over 100 per cent. Substantial shipments of cattle and beef were made to the United Kingdom during the first quarter of 1935, but the rapid rise of prices in the United States, without a similar improvement in the British market, caused a diversion to the United States.

Hides

The cattle hide market at the close of 1935 was in a much better price position than in some years past. The price of hides is important to cattle producers. The rise from seven to fifteen cents per pound for hides is equivalent to \$4 to \$5 increased returns per head of cattle. The expectations are that present demand for hides will continue during 1936, due to their increased use for harness, saddlery, and boots. The Agricultural Adjustment Administration in the United States has about 1,000,000 hides in store as a result of the supervised slaughter of cattle. It is not likely that this supply of hides will be marketed in such a way as to depress prices.

Hogs

Hog production is increasing in Canada, the United Kingdom, and the United States. Denmark and the Netherlands are showing some increase from the restricted output of recent years. In Poland and the Baltic countries the reverse is true. Canada is expected to show some increase in hog output during 1936. The increase will probably be light during the first six months but somewhat heavier during the second six months. These seasonal tendencies may be duplicated in the United States. The United Kingdom market, and the improving consumer purchasing power in Canada, should continue as the main price-making factors. United States hog price prospects do not appear any more attractive to Canadian exporters than during 1935.

The output of hogs in 1936 promises in itself to afford an increase in exports. On the other hand, a factor which may offset this tendency is the possibility of expansion in domestic consumption, on account of increased purchasing power and anticipated higher prices of beef.

Production and Marketing.—An increase in spring farrowings in practically all provinces is almost a certainty. This is indicated by the demand for and the retention of brood sows. This situation is a result of the firm prices which have obtained for hogs during the past year, the generally low feed prices and the relatively favourable supply and distribution of feed throughout the Dominion, especially in many of the former drought areas.

In Alberta an increase in marketings of hogs during the first half of 1936 over the same period of 1935 may possibly occur. This anticipated increase will undoubtedly be modified somewhat by the low quality of the feed supply and the lack of breeding stock on farms last spring.

In some parts of Saskatchewan, where there is a plentiful supply of good feeding grains, numbers of hogs are the lowest in some years. In these areas, efforts are being made to restore hog numbers by increased breeding. The increased production will not become manifest in the market until the latter part of 1936. The feed situation is not quite as favourable as a year ago in the central section of the province adjacent to the Alberta boundary.

Manitoba shows a favourable distribution of feed supplies, although a considerable portion of the crop in the southern and western parts of the province was affected by rust. Prospects indicate some upturn in hog production, based on an expected increase in spring farrowing. The province, during the latter part of 1936, will likely materially increase its contribution to the market supply.

The province of Ontario indicated there might be some increase in hog output in the late autumn of 1935, and that this will become more definite, as a result of an increase in spring farrowings in 1936, is fairly well established. Conditions in Ontario are now very favourable for the expansion of hog production from the recent low volume. Barley production is estimated at well over two million bushels more than that of 1934, and while the quality of the coarse grain crops is rather variable, supplies are ample.

The province of Quebec increased hog output during 1935. This expansion is likely to be continued or at least maintained during the year 1936. While third among the provinces with respect to volume produced, such production is insufficient for the requirements of Quebec. The increasing hog output of Quebec shows a noticeable improvement in type and particularly in finish. The production of coarse grains was slightly lower than the average for the previous five years, but is a little higher than for 1934.

The Maritime Provinces have sufficient feed to take care of a moderate increase in output of hogs during 1936. Canada's best type and finish in bacon

hogs is to be found in the Maritime Provinces and while this area does not contribute to the surplus for export, it makes a substantial contribution to regional consumption.

In British Columbia, the swine population declined by about 10 per cent from 1931 to 1935, but reductions now appear to have been checked. The number of brood sows retained this year is approximately 8 per cent higher than in the 1934-35 season, thus, the hog population may be expected to increase in 1936.

Export Market.—The British bacon market has been a very important factor affecting prices of Canadian hogs and the most important factor in the disposal of production over and above Canadian requirements. This market should continue to have a beneficial effect on prices during 1936.

The prospect for hog output in 1936 in itself would indicate some increase in exports. A modifying factor, however, is the possibility of an expansion of consumption in Canada. This expansion may result from an increase in consumer purchasing power, coupled, possibly, with higher prices for beef and other commodities competing with pork.

During the calendar year of 1935, exports of hog products to the United Kingdom showed a moderate expansion over those of the previous year. A rather sharp narrowing of the spread between prices in the Canadian and United Kingdom markets occurred in the autumn. This eventually led to some curtailment of export volume. Developments in British bacon market policy, which would materially affect the world export movement and price of hogs, are not anticipated during the early part of 1936. The application of a levy on foreign imports with an increase in foreign import quotas may eventually obtain, but no action in this direction has yet been taken or is in sight for the near future.

Prices.—Canadian hog prices during 1936 will probably remain fairly remunerative, despite the expected increase in volume. Assuming no change in United Kingdom import conditions, it is evident that continued restriction of imports only affects British bacon prices up to a certain point. As soon as Danish bacon prices reach about ninety shillings, consumption of bacon in Great Britain is checked which is followed by a sharp price reduction, usually to about seventy-five shillings. Demand conditions in Great Britain as at present appear to limit the spread in bacon prices from seventy-eight to eighty-eight shillings, which would be the equivalent of from \$7 to \$8 per hundred-weight for hogs, Ontario basis.

Domestic Market.—Pork and pork products sold at high prices during 1935, compared with beef and lamb. On this account pork consumption decreased to some extent, being replaced by beef and, in a lesser degree, by lamb. There should be little change in this price relationship until well on in 1936.

Horses

It would appear that the low point in horse population has been reached. The annual production of colts has reached the point where the increase exceeds the deaths of mature animals. The colts born in 1934 and 1935 will not become a factor in the supply of work horses until 1937 and 1938. The number of horse breeders' clubs in 1935 showed an increase of 33 per cent over the preceding year, as compared with an increase of 64 per cent in 1934 over 1933.

About 90 per cent of the horses exported during 1935 were shipped to the United States. These shipments included a number of high class geldings and several shipments of pure-bred Clydesdale mares. Continued inquiries indicate an outlet to this market for breeding stock in the near future. Satisfactory

prices were received for several shipments which were made to the United Kingdom during 1935. A considerable trade in heavy work horses might be developed with the United Kingdom.

The production of horses for saddle and hunter purposes and for constabulary and general delivery work is just about equal to the demand. The trade developed with the British West Indies in 1933 for horses for constabulary work continues to furnish an outlet at encouraging prices.

Demand for work horses showed improvement in 1935 compared with 1934. Little expansion is expected through city and industrial outlets, and the needs of agriculture will continue to furnish the principal market. Many farmers will continue to buy horses rather than produce their own.

The price of horses has been rising faster than the general price level and should remain comparatively high for some time. As long as the prices of feed grains are low in relation to gasoline prices, farmers will continue to do a greater portion of their work with horses. An over-supply of horses, excepting those of the types indicated above for which a continued good market is anticipated, may develop sooner than expected because of the potential increase in the use of mechanical power. This potential increase depends upon improved economic conditions on the farm and in the cities. Farmers should plan their horse production with a view to the situation four or five years hence.

SHEEP AND WOOL

Commercial sheep and lamb production in Canada is on a domestic basis. Production shows evidence of increase in some provinces and of intentions to expand in other provinces. Interest in lamb production has been stimulated by improved prices for lamb and wool. Improved prices of wool will probably be maintained, and this will be a factor in stimulating further interest. Some business was done in the export of pure bred stock during 1935. These exports should continue during 1936.

Sheep and Lambs

Production.—The survey of June 1, 1935, indicates that total sheep and lamb population was approximately the same as the year previous, but there are indications that production is increasing in most provinces. Increases were noted in numbers on farms in Quebec, Manitoba, and Saskatchewan, while other provinces showed declines of from 2 to 5 per cent in numbers of sheep and lambs on hand. Reorganization of lamb production and fattening practices have made available a continuous supply of fresh killed Canadian lamb throughout the year, and this is a dominating factor in the maintenance of stability in lamb prices. Several shipments of breeding ewes for export were made during 1935. Other shipments of show flocks and good type ewes and rams were made to the United States. At the close of 1935 sheep raisers were retaining their breeding stock. There has been a considerable demand for range ewe stock.

Marketings.—The total number of lambs slaughtered at inspected plants up to October 31, 1935, was 21,000 head less than in this period of 1934. This is due in part to more local butchering for direct marketing, which has been stimulated by the tourist trade. Owing to the development of lamb feeding, there is also a larger supply of domestic lambs in the hands of farmers than in previous years. Lambs in feed-lots will supplement marketings during the early part of 1936.

Owing to severe weather at lambing time on the range, the crop of range lambs was reduced by 15 to 20 per cent, as compared with last year. Range lambs were purchased for the feed-lots at one cent a pound higher than a year ago. Saskatchewan lambs were improved in condition over last year and it is expected that some of these range feeder lambs will be ready for the market early in the spring. Marketings should be well distributed throughout the winter and early spring months of 1936.

The condition of eastern domestic lambs was not quite as good as in the previous year, although several districts marketed their lambs at better average weights. An innovation during the year was the marketing of train-loads of finished lambs from certain counties in Quebec. Marketing practices, which have insured the sale of well-finished lambs, have resulted in the securing of a premium on the market. Prices of lamb have been well maintained throughout 1935. The prospects are that the demand for fresh-killed lamb throughout the early months of 1936 will show strength. This should bring about an increase in lamb prices.

Wool

The wool season in 1935 opened with buying on a very conservative basis. Some wool in Eastern Canada was sold at six cents per pound. The price strengthened until twelve cents per pound was paid by local buyers. Western domestic wool prices were approximately the same as in the eastern provinces, although it is estimated that a larger percentage of the farmers who sold locally received somewhat lower prices. There was keen competition in the buying of western range wools, and the prices offered varied from nine to twelve cents per pound. Consignments of wool for grading and co-operative sale will approximate 4,000,000 pounds for 1935, as compared with 5,000,000 pounds for 1934.

POULTRY AND EGGS

A steady improvement in conditions within the poultry industry took place in 1935 and there is every indication that this will be at least maintained during 1936. With improving business conditions in Canada a somewhat wider domestic demand for poultry products sufficient to justify a moderate increase in the production of both eggs and poultry may be expected. From an export viewpoint the outlook is more favourable for market poultry than for eggs. Great Britain holds considerable promise as a market for Canadian poultry, and the reduction in the United States tariff may lead to some revival of poultry shipments to that country. The export situation warrants increased production of market poultry in Canada, but there is not the same justification for greater egg production.

Domestic Egg Market.—There are indications that the domestic egg market has entered upon a period of steady recovery from the extreme point of low prices reached in the year 1933. The break in the egg market came in 1931. For some time prior to that year open market prices in Montreal in the Spring months were generally established at around thirty cents, or slightly higher. In 1931 this quotation dropped to as low as twenty cents; it declined further in 1932, and in 1933 reached an extreme low of sixteen cents. Since then there has been gradual recovery, with increased prices in the spring of 1934 and again in 1935.

It appears probable that a continuation of this trend to improved prices will be witnessed in 1936. Retail demand for eggs during 1935 was very satisfactory, storage stocks were light and cleared reasonably well, and the market on the whole showed more signs of solid support of its price structure than was the case for some years. It is reasonable to assume that similar conditions should have a beneficial influence on prices during 1936.

While a very strong retail demand for eggs helped to keep the market active during the heavy producing season of 1935, production was lighter than in any year since 1931. Two important factors contributing to the lower production were the scarcity of feed in the western provinces and a reduced poultry population.

Feed will be more abundant in 1936. Numbers of poultry in the East are about stationary, but are definitely lower in the West. According to the survey of June 1, there were 18,180,000 hens and chickens on farms in Alberta, Saskatchewan and Manitoba in 1935, as compared to 20,401,000 in 1934. There does not, therefore, appear to be any probability that total egg production in 1936 will vary materially from that of 1935.

Egg Exports.—In 1933 Canada experienced a revival of the egg export trade to Great Britain. In that year and again in 1934 shipments were in the neighbourhood of two million dozen. Exports were only about one million dozen in 1935 because export prices were lower than prices prevailing in Canada and and domestic storage stocks were abnormally low. In the immediate future, it seems hardly probable that egg exports to Great Britain will materially exceed two million dozen per year. Total imports of eggs into Great Britain have declined steadily in recent years. Home production is increasing, and other Empire countries, particularly in the southern hemisphere, are in a more favoured position climatically than Canada to supply eggs to Great Britain during the season of low production in that country. Canada enjoys a small but steady trade in eggs to the West Indies and Newfoundland, but apart from Great Britain no major export market is in prospect at the present time.

The Domestic Poultry Market.—The price on the domestic market for poultry has been largely influenced by the export demand, and the firmness that has prevailed throughout 1935 may be attributed to this fact. The price premium established for good quality poultry through the application of grading has given great impetus to better finishing, resulting in a steady increase in the proportion of milk fed or finished chicken.

The turkey crop, particularly in Western Canada, was abnormally light in 1935 and prices were well in advance of 1934. With an apparent world shortage of turkeys in 1935 resulting in substantially higher prices, the outlook for the coming year is favourable.

Poultry Exports.—In September 1933, Great Britain placed a tariff of three pence on imports of foreign chickens while permitting free entry from Empire countries. It was not until the latter part of 1934 that the effects of this tariff became fully apparent, but from December 1, 1934, to March 31, 1935, the exports of chickens from Canada to Great Britain were the largest in years. The prospects for the coming year are that the demand for high quality poultry will continue. There is every evidence that Canada will be in a position to take care of this demand. A widespread effort to improve the quality of poultry packed in 1935 is expected to increase materially the percentage of the higher grades of poultry placed on the British market during the coming months. It is particularly encouraging to note that this improvement in finish is being effected in birds weighing from 3 to 4 pounds which are most popular in England and which, in this country, have been regarded heretofore as difficult to finish.

The reduction in the tariff on live Canadian poultry and dressed chickens entering the United States should result in an increase in exports of these products to that country. The extent to which this trade may be expected to approach the volume exported in the years preceding the last advance in the United States duty is difficult to estimate.

Baby Chicks and Breeding Stock.—The sale of baby chicks during the spring of 1935 in Canada was reported as being about 10 per cent in excess of 1934. The sale of pullets and cockerels, six weeks or older, was greater than in recent years.

More farm flocks are being renewed each year by means of chicks purchased from breeders and commercial hatcheries. The major effort in poultry breeding lines is being concentrated on the improvement of the quality of these chicks. The trend in the past in the breeding of chickens has been along the lines of improving egg production. Emphasis in addition is now being laid on the improvement of meat type.

Prospects for the export of breeding poultry to foreign countries appear to be good in view of the satisfaction given by previous shipments. The difficulty in some countries of securing import permits presents some handicap to this trade.

DAIRY PRODUCTS

The dairy industry, as shown at the end of the first ten months of 1935, was in a more satisfactory position than for the same period of 1934. The prices of dairy products were higher, and had risen relatively more than feed and other costs. Feeds are more plentiful and are more evenly distributed throughout Canada. Despite a slight reduction in the milk cow population, production may be expected to show an increase during the first quarter of 1936, as compared with the same quarter of 1935. The diversion of milk from cheese factories appears to have been halted as a result of higher cheese prices and the payment of a cheese patrons' bonus. The expected increase in milk production will probably be reflected in a higher winter output of creamery butter. If additional quantities of butter are made during the first part of 1936 when production usually is low, they will probably be required to offset the shrinkage in cold storage stocks shown at November 1, 1935, in comparison with those recorded at the same date of the previous year. Unless butter prices reach a point where the price restricts consumption it is apparent that all stocks now in storage will be required to meet domestic needs. The foreign situation is somewhat involved, but the indications are that there will be further increases in dairy production in those countries that compete with Canada as exporters of dairy products and also in those countries that import dairy products produced in Canada. Indications are that the prices of butter and cheese are tending upward. This is due to a strengthening of demand on the market, influenced to some extent by higher prices in the United States. Farmers will doubtless take advantage of existing prices to increase their output during the winter months. The increased outlet for live stock and for cream to the United States market may help to strengthen prices, depending on the extent to which this outlet is developed for these products and the price advantage offered.

Milk

In 1934 the milk production of Canada increased about 300 million pounds over that recorded in the previous year, making a total of slightly more than 16 billion pounds. The milk cow population on June 1, 1935, stood at 3,849,000, a decrease of 15,000 head from the numbers reported on farms at the same date

of 1934. Heifers raised for milk purposes also declined from 899,000 at June 1, 1934, to 859,000 at June 1, 1935. Decreases in the number of cows were partly the result of marketing in the fall of 1934 when feeds were scarce. A general improvement in the feed situation during the summer and autumn of 1935, coupled with a somewhat larger proportion of cows actually being milked, has offset the effects of this reduction in the milk cow population. The quantity of milk produced in 1935 may be expected to show a further increase when the data for the whole year are complete.

The prospects for 1936 are favourable. A further decrease in the number of cows may be expected because there are smaller numbers of dairy heifers on farms; over 5,000 head of dairy cattle were exported during the first ten months of 1935, and the recent trade agreement with the United States lowers the tariff 50 per cent on a quota of 20,000 dairy cows per year. However, the average production per cow may be increased through live stock improvement policies and the use of smaller numbers of low producing cows. Furthermore, feed supplies are abundant and can be purchased at lower prices and butter-fat prices are higher. Pastures were in a healthy condition during the late fall, and with a favourable winter should provide better feed for spring grazing than was the case in the spring of 1935. These are compensating factors that will tend to maintain production at reasonably high levels during the coming season.

Butter

Creamery butter production for the ten months ending October 31, 1935, was 215,449,000 pounds, an increase of about 3.5 million pounds over the same period in 1934. A lower production was registered during each month from January to June inclusive than in the corresponding months of the previous year. The increase in production recorded for the ten months' period was due to substantial gains in July and August and to a particularly heavy output in the month of September. Four of the provinces, Quebec, Ontario, Manitoba and Saskatchewan contributed to this increase. The most significant declines were in the Maritime Provinces and Alberta. British Columbia's output was just slightly less than that recorded in the January-October period a year ago. From an output of about 170 million pounds in 1925, the creamery butter production of the Dominion increased to 235 millions pounds in 1934. The advance in butter production during the past ten years has been relatively steady; the only recessions that occurred were in the years 1927 and 1928. The restriction of the United States market for whole milk and cream in 1930, together with the diversion of milk from cheese factories to creameries are two factors mainly responsible for this situation. The combined production of creamery and dairy butter now is equivalent to nearly one-half of the total milk production of the Dominion.

Butter imports during the first ten months of 1935 totalled 147,000 pounds compared with 2,852,000 pounds for the same period in 1934. Exports of butter for the same period of 1935 were 6,999,000 pounds compared with 359,000 pounds in 1934. A Butter Export and Stabilization Scheme was set up under the Natural Products Marketing Act in September 1935 for the purpose of exporting some proportion of the available stocks of butter in Canada. From September 20 to October 15 approximately 6.5 million pounds were exported under the Scheme. The recent Canada—United States Trade Agreement sets a quota to the United States at a reduced duty for the yearly exportation of 1,500,000 wine gallons of cream, which represents approximately 6 million pounds of butter. Should the market be favourable, this may relieve the problem of exportable stocks of butter as the diversion of raw material will be largely from the creamery industry.

Wholesale jobbing prices of butter at Montreal for the first 4 months of 1935 were considerably lower than during the same period of 1934. In May, an increase occurred and for July, August and September, prices averaged 2.1 cents

higher than for the same months of 1934. Prices in Canada for 1935 should be above the average of 1934, which was 22·3 cents per pound. Australian "finest" butter, a grade comparable to No. 1 pasteurized in Canada, was being quoted in London at from 4·4 to 8·1 cents lower than butter in Montreal from January to May inclusive, 1935, but the spread narrowed to 0·8 cent in June, and for September the London price was 1·6 cents higher than the price in Montreal. The New York price of 92 score butter, on the other hand, averaged 10·4 cents higher than the Montreal price from January to April 30 and only 4·3 cents higher from May to September.

Storage stocks of butter in 1935 remained considerably higher than in 1934 from January 1 to May 1. For the next three months stocks were lower while on September 1 and October 1 slight increases over 1934 were reported. Stocks on November 1, 1935, were approximately 2 million pounds less than on the same date a year ago and showed a reduction of 6,929,000 pounds as compared with October 1, 1935, holdings due in part to the heavy export movement during the month. The present situation indicates that any surplus of butter that existed early in the Fall of 1935 has been removed and that all butter stocks now in store will be required to meet domestic needs.

The per capita consumption of butter in Canada has shown a slight increase each year from about 23 pounds in 1921 to 31 pounds in 1931 but in subsequent years has remained practically constant. This high level of consumption has been maintained as a result of relatively low butter prices. Canadian dairymen can expect a slight increase in total requirements of butter each year due to population increase but the per capita consumption will depend upon the relationship of the price of butter to prices of competing products, and upon general business conditions.

Cheese

The production of factory cheese over a period of years has been declining. That this decline has been halted in 1935 is indicated by cheese grading figures. Approximately 96 per cent of the Dominion's output of cheese is produced in the provinces of Ontario and Quebec. Comparative monthly cheese production figures are available for the provinces of Quebec, Alberta and British Columbia only. For the ten months ending October 31, 1935, Quebec's production was 19,654,000 pounds, a decrease of approximately 1·5 million pounds. Alberta's production was 1,211,978 pounds, a decrease of 5,436 pounds, and British Columbia's production was 700,882 pounds, an increase of 194,524 pounds as compared with the same period in 1934. The volume of Ontario's 1935 make submitted for grading has shown a weekly increase over the previous year since the first of August, and would indicate that the 1935 cheese production for the province will exceed that of 1934 which was 73,301,000 pounds of a total Canadian production of 99,347,000 pounds.

Storage stocks of cheese in Canada on the first of each month during 1935 have been consistently higher until the first of October, when there was a decrease of approximately 4·8 million pounds as compared with the same date a year ago. This has been due to greatly increased exports during the month of September, when the quantity exported was more than double that of September 1934.

Cheese prices during the 1935 season averaged slightly higher from May to October inclusive as compared with the same period in 1934. The change from the downward trend in cheese production has been brought about by increased prices, good feed conditions, and the 1·5 cents per pound of cheese paid producers of milk for cheese factories under the Dairy Products Marketing Equal-

ization Fund from the first of July onwards. Quotations for Canadian cheese on the London market during the same period (May to October inclusive 1935), averaged slightly more than 1 cent per pound higher than the quotations during the same period in 1934.

Exports of cheese for the ten months ending October 31, 1935, were 44,994,000 pounds as compared with 45,043,000 pounds for the same period in 1934. Imports, which consist largely of types and varieties not manufactured in Canada, for the same period were 1,004,000 pounds in 1935 compared with 730,000 pounds in 1934.

Imports of cheese into the United Kingdom for the nine months ending September 30, 1935, showed a decrease of approximately 23·2 million pounds as compared with the same period in 1934. During this period imports from New Zealand decreased by approximately 34 million pounds and imports from Canada decreased by approximately 937,000 pounds, while imports from the Netherlands and Australia increased approximately 7·5 million pounds and 3 million pounds respectively.

Both domestic and foreign demand for Canadian cheese has been well maintained. The per capita consumption of cheese in Canada during the year 1934 was 3·6 pounds, an increase of a quarter of a pound over the year 1933.

The high quality of Canadian cheddar cheese was maintained in 1935 which was reflected in the premium it received over cheese of the same type from other countries on the United Kingdom market. The average quotation for Canadian cheese on the London market in 1934 was 17·2 per cent higher than the average quotation for New Zealand cheese on the same market. This price preference has been gradually widening over a period of ten years, and apart from quality can be explained by reason of the decline in volume of imports from Canada and the increase in volume of imports from New Zealand.

Concentrated Milk Products

The production of concentrated milk products for the ten months ending October 31, 1935, was 93,775,000 pounds compared with 83,281,000 pounds for the corresponding period of 1934. An analysis of the different products manufactured shows evaporated milk, the production of which was 60,034,000 pounds, with the greatest increase, being approximately 9 million pounds greater than during the same period in 1934. Skim milk powder, the production of which was over 16·5 million pounds, followed with an increase of over 2 million pounds. Storage stocks on November 1, 1935, were not excessive, evaporated milk being approximately 2 million, and skim milk powder 750,000 pounds higher than on the corresponding date in 1934.

Exports, which consist chiefly of condensed milk, evaporated milk and milk powder, showed very little change in quantity for the first ten months of 1935 as compared with the corresponding period in 1934. Evaporated milk exports were down approximately 500,000 pounds, while condensed milk and milk powder were down 194,200 pounds and 103,200 pounds respectively. Imports of concentrated milk products were insignificant in quantity.

Foreign Situation

In the United States the curtailment in the numbers of meat producing animals caused by the 1934 drought and shortage of feed has improved the outlook for dairying during the next few years. The number of milk cows is about 6 per cent below the number on hand a year ago, also the number of heifers being

kept for milk cows is unusually low. Prospects point to an average supply of dairy products for the coming winter in contrast to the past winter when the United States found it necessary to import approximately 22 million pounds of butter.

New Zealand and Australian dairy production has been seriously curtailed during the past season due almost entirely to lack of rain in most districts of both countries. In New Zealand there was a decrease of 4.8 per cent in the amount of butter-fat which was utilized in butter and cheese during the season of 1934-35 as compared with the season of 1933-34, in spite of the fact that there were approximately 50,000 more cows milked. As a result of rains late in 1935, it is likely that New Zealand and Australia will show an increase in butter and cheese production in 1935-36 over 1934-35.

Even though Germany's butter production for the first half of the year 1935 has shown an increase, this country continued to buy butter for storing. Denmark continued to be the chief source of Germany's imports. In Denmark, cold weather during the first half of the year 1935 and a decline in the number of dairy cows was responsible for retarding dairy production. Arrivals of butter into the United Kingdom from Baltic countries would indicate that production has been maintained during the past season. Dairying in Switzerland has undergone a readjustment during the last few years due to the loss of markets for exportable surplus of cheese and preserved milk. Despite the decrease in the exports of cheese products total milk production has increased during the last four years. The result has been a diversion of raw materials to the production of butter. As a result of this transition imports of butter have shrunk over 97 per cent between 1931 and 1934 and it is expected that in 1935 imports will be practically eliminated. The Netherlands, like many other countries, through a system of state control and subsidies to producers, has been able to maintain her volume of output of dairy products. Cheese, the main export product, has suffered during the depression due to competition in world markets and as a result during the past few years there has been a tendency to shift to butter production.

Great Britain imports about three times the quantity (expressed in terms of milk) of the home production of dairy products. The milk marketing scheme in Great Britain has had a profound influence in stimulating production in that country. During the first five months of 1935, 58 million more gallons of milk had been put on the market than in the same period of 1934. As a result both factory butter and factory cheese production for the first seven months of 1935 have shown a very definite increase over last year. Imports of butter, which were slightly over 839 million pounds for the first nine months of 1935 have decreased approximately 21 million pounds as compared with the corresponding period of 1934. Cheese imports during the first nine months of 1935 were over 228 million pounds, a decrease of approximately 23 million pounds as compared with the same period of 1934.

FRUITS

Some recovery of apple production was evidenced in 1935. During the fall months of 1935, the market for apples was active and stocks moved freely. Present storage holdings are light. Satisfactory prices have been obtained which were slightly higher than prices last year, and present indications point to improved prices in the future. The relatively large crop of peaches in 1935 was marketed at slightly lower prices than the previous year. Grape production was lower in 1935 but the crop was sold at lower prices because of the decreased demand by the wineries. The production of pears in 1935 was under that of the previous year but plantings of pear trees are increasing. Greater use of strawberries and raspberries by the canners and processing plants assisted in maintaining prices despite heavier yields in 1935.

Apples

Production.—The total production of apples in 1935 showed an increase over 1934, largely due to the recovery of many trees which were slightly affected with winter injury in 1933-34. Certain varieties, in addition to suffering a complete loss in a large proportion of trees, had a large percentage of fruit buds killed in 1933-34 but many trees which were thus injured recovered sufficiently to produce a crop in 1935. There were, however, very serious losses reported during the winter of 1934-35 so that the total number of bearing trees in 1935 must be considerably less than in 1934. This loss was heaviest in Ontario and Quebec, moderately heavy in New Brunswick and slight in Nova Scotia, whereas apple trees in British Columbia escaped injury. Definite tree mortality figures are not available, although in Quebec it is estimated that approximately 50,000 bearing trees have been removed to date, and in Ontario 50 per cent of the bearing trees are dead. It will be at least ten years before the Ontario crop can be considered normal again. Any increase over production in 1935 will be largely due to new orchards coming into bearing. It is hardly to be expected that during the next five years the Ontario crop will be much more than 60 per cent of the average of the period 1930 to 1934 which was 784,000 barrels. At present, it is not anticipated that there will be any decrease in production in Nova Scotia. The New Brunswick apple crop will probably remain at 80 to 85 per cent of the average production for the five years preceding 1935 until new orchards come into bearing, and consequently the crop in this province will be nearly back to the level of the period 1930 to 1934 by about 1940.

The commercial production of apples in Canada in 1935 is estimated at 4,141,000 barrels as compared with 3,891,000 in 1934 and the 5-year average 1930-34, of 4,063,000 barrels. All provinces with the exception of Nova Scotia, report slight increases; the Nova Scotia production was estimated at 1,800,000 barrels, the same as reported in 1934. Severe freezing injury was experienced in British Columbia towards the end of October which resulted in serious damage to approximately 600,000 boxes. This will undoubtedly curtail the exportable surplus from that Province.

Domestic Market.—During the fall months the market for apples was active and stocks moved freely. Supplies on hand are below normal for this time of year. There has been no tendency to overload distributing centres. Storage holdings of British Columbia apples on the Prairies and in eastern Canada are light and much lower than in the past few years. In eastern Ontario, holdings are light, but are moderately heavy in western Ontario. Exports from this province have been comparatively small so far this season.

Toronto and Montreal, the principal distributing centres in Eastern Canada, report storage holdings of apples from all producing provinces as below normal. The movement of Nova Scotia apples to central Canada has not been heavy. A number of cars of high quality fruits have been marketed and prospects indicate increased movement later in the season. Satisfactory prices have been obtained which have been equal to or higher than prices in 1934, and present indications are toward slightly higher prices later on.

Apples reported as frozen in British Columbia in October, in addition to reducing the exports from that province, may have a disturbing effect on the domestic market depending on the quantity and quality of the fruit that may be salvaged. As a result of this situation, storage stocks in good condition have already shown some advance in price.

Export Market.—Shipments of both Canadian and American apples to the United Kingdom market during the period September 1 to November 26, 1935, showed an increase of 77 per cent over those made during the same period in 1934. The increase in Canadian shipments amounted to 36 per cent. Although prices during the early part of the period were unsatisfactory, better returns were later realized. The improvement in the quality of Nova Scotia apples has been one of the outstanding features of the 1935 season.

The apple crop in the United Kingdom suffered heavily from frost last May. As a result, it was not more than 25 per cent of the record crop of 1934 and probably less than 50 per cent of the ten-year average. The damage was particularly heavy in the case of the leading dessert variety, Cox Orange, although culinary varieties were also severely injured.

In planning for future shipments to Great Britain, the Canadian grower must take into consideration the rapid expansion of apple production in that country. Soil and climate are well adapted to the production of culinary apples and further plantings may be anticipated. In particular, the Bramley Seedling has been shown to respond favourably to cool gas storage. This fact permits marketing of this variety from September to April.

A study of the various factors involved would indicate that Canadian shippers should concentrate on providing quality apples in order to realize remunerative prices. The possibilities of expanding other markets do not appear to be great, although Canadian apples are gradually becoming established in such countries as Straits Settlements, South Africa and Egypt. Exchange difficulties continue to be a barrier to greater exports to such countries as Argentina and Germany, which otherwise might be considered as potential export outlets.

Peaches

The 1935 Canadian peach crop was estimated at 715,000 bushels, an advance of 75 per cent over the 1934 crop of 407,000 bushels. The crop in Ontario was reported as 674,000 bushels or double that of 1934. British Columbia, the other commercial peach growing area, produced 40,135 bushels, equivalent to 42 per cent of the crop grown in 1934. The quality in general was good and a wide market distribution was obtained. Truckers were an important factor in the movement of the Ontario crop, transporting loads as far east as Montreal and into Northern Ontario. As a result of this distribution and the quantities absorbed in the canning trade, the large crop was disposed of at prices slightly lower than in 1934. Following the frost injury suffered during the winter of 1933-34, the mortality of peach trees has been fairly heavy and considerable replanting has been done. Nurserymen reported sale of 97,000 peach trees in 1934 and estimates for 1935 indicate this number has been exceeded by 40,000 trees.

Grapes

The 1935 crop of grapes, estimated at the end of September to be 39,350,000 pounds was much below the 1934 crop of 46,812,000 pounds and the five-year average, 1930 to 1934, of 46,692,000 pounds. Ontario reported a production of 38,000,000 pounds as compared with 45,562,000 pounds in 1934. This estimate was reduced by a severe frost on October 6 at which time 40 per cent of the crop remained on the vines. The British Columbia crop of 1,300,000 pounds was slightly in advance of that of 1934 reported as 1,250,000 pounds but it is possible frost injury will reduce this estimate. Sales were made at satisfactory prices on both local and prairie markets.

A reduction in the utilization of grapes by wineries necessitated the diversion of a large proportion of the crop to the fresh fruit market. This kept prices very low during most of the season in spite of the small crop. However, some advance was registered late in the season, but too late to have any marked effect on the average prices for the crop. It would appear that with the removal of restrictions on the use of alcoholic beverages with which native wines must now compete, the prospect for a large increase in the use of grapes for wine is not favourable.

Pears

The estimated yield of 312,000 bushels of pears in 1935 represents a 9 per cent decrease from the 1934 yield of 344,000 bushels and a 25 per cent decrease from the five-year average 1930 to 1934 of 417,000 bushels. Sales by nurserymen indicate an increase in the planting of pear trees and an expansion in production can be expected on account of new plantings in Ontario and British Columbia. In 1933, sales amounted to 49,000 trees, in 1934 to 68,000, and it is estimated that for the year ending May 31, 1935, a similar number were sold. It would seem that the planting of high quality varieties of pears for supplying the domestic market is still capable of expansion.

Imports into the United Kingdom of Canadian fresh pears which had shown an upward tendency since 1930, dropped sharply in 1934 to 25,000 hundredweight as compared with 54,000 hundredweight in 1933. On the other hand, imports of canned pears increased from 52,000 hundredweight in 1933, to 73,000 hundredweight in 1934, but declined sharply in 1935.

Strawberries

Commercial production of strawberries in Canada for the five-year period, 1930 to 1934, has averaged 19,338,000 quarts annually. The 1935 production is estimated at 27,735,000 quarts as compared with 19,713,000 quarts in 1934; the Ontario crop of 11,819,000 quarts represented 43 per cent of the total. The British Columbia crop comprised 28 per cent and the Quebec crop 24 per cent of the total. The Maritime Provinces produced the remainder. All provinces producing strawberries on a commercial scale report increased production over 1934 ranging from 9 per cent in Quebec to 75 per cent in Ontario.

A very heavy crop necessitated the introduction of measures to stabilize prices. A large quantity of fruit was processed. The estimated pack of canned strawberries was 45,000 cases, a sharp advance over the 1934 pack of 30,000 cases. Larger quantities than usual of strawberries were packed in sulphur dioxide and shipped abroad. A preliminary estimate indicates that some 3,500 barrels of berries so treated were shipped during the past season. This method of treating berries has been practised in British Columbia for some years but was an

innovation in the Province of Ontario. It is estimated that in Ontario and Quebec 60,000 pounds of berries are annually held as frozen pulp for jam manufacturing.

The proportion going into the fresh fruit market sold at relatively high prices as compared with the year before in spite of heavy production. It would seem, however, that the present production is at least sufficient to meet requirements.

Raspberries

Despite dry weather conditions in 1935 in some of the raspberry producing sections, a total crop of 7,313,000 quarts is reported as compared with 6,198,000 quarts in 1934. Ontario, Quebec and British Columbia produced the bulk of the crop. There has been no improvement in the returns to the grower of this fruit and the outlook for the future is uncertain. Despite the fact that canners utilized a much larger quantity of fruit in 1935 than for many years, packing 76,000 cases as compared with 44,000 in 1934 and 20,000 in 1933, prices continued low. This factor combined with others such as the increased cost of maintaining plantations, prevalence of mosaic and other diseases, and the successively poor yields in some sections may have an important bearing on the planting policy for the future.

VEGETABLES

Potatoes

Over the Dominion as a whole, production of potatoes has been somewhat in excess of domestic requirements for both table and seed stock. Until recent years this surplus found an outlet in foreign markets, which during the last five years have been considerably restricted. The fact that some areas of the Dominion are surplus producing, while other areas are deficient or just self-sufficient, coupled with the long distances separating these areas, all tend to cause a lack of uniformity in potato prices on the important markets of Canada. The decline in potato exports pertains particularly to the Maritime Provinces, and this condition has resulted in the diversion of the surplus stock to the markets of Central and Western Canada. In this way, prices have been more uniformly established across the country.

The acreage seeded to potatoes in Canada, while subject to considerable variation from year to year, does not show any definite change or trend over the past eleven years, except as is noticeable in the individual provinces. New Brunswick and Prince Edward Island show definitely increasing acreage, while Nova Scotia records a slight decrease. Acreage in Ontario has varied slightly, while in Quebec, acreage showed a sharp decline in the years 1930 to 1932, but since has shown a tendency to increase. Over a period of eleven years, the three Prairie Provinces have been slowly increasing their acreage, while that of British Columbia has remained fairly constant, with only minor fluctuations from year to year.

Production.—The provisional estimate of Canada's 1935 potato crop is 64,643,000 bushels as compared with 80,016,000 bushels in 1934, a reduction of 19.4 per cent, and 15.9 per cent below the five year average. Plantings are estimated at 507,900 acres, the lowest on record for the past ten years, being 8.7 per cent below the five-year average and 10.8 per cent below the 1934 figures. There is a substantial reduction in both acreage and yield in Eastern Canada and British Columbia, while the Prairie Provinces report a reduced acreage but a

substantial increase in production. The situation in British Columbia is somewhat uncertain due to the severe frost injury experienced late in October.

In respect to certified seed production a total of 20,472 acres of potatoes was listed for field inspection in 1935 as compared with 28,810 acres in 1934. The total fall shipment of certified seed potatoes to December 31, 1934, was 600,200 bushels. The shipments of seed stock during the past fall compare favourably with 1934 in New Brunswick and Nova Scotia, but are considerably lower for Prince Edward Island, although this situation may improve at short notice. To November 30, approximately 400,000 bushels of certified seed had been shipped from the Maritime provinces. The yield per acre was considerably less in 1935 than in 1934, but the quality is excellent, very little rot being in evidence. The growers are generally more inclined to hold their crop than they were last year at this time, in prospect of better prices later in the season. A strong demand in the Spring for certified seed, at fair prices, would automatically result in an increased seed production in 1936. The outlook appears to warrant a small acreage increase of stock of the highest quality for seed potato certification purposes next year.

Markets and Prices.—Potato prices received by producers have been subject to wide fluctuations from year to year. Prices fluctuated from an average of \$2.06 per hundredweight for 1925 to a low of 43 cents for the 1931 crop during the period 1920 to 1934. These wide fluctuations in price have been due more to the sharp variations in yield per acre than to the changes in acreage. Potato growers have shown a definite reaction to price in planning their acreage for the following year, but the influence of weather conditions is always a potent factor in the total production of potatoes.

The decrease in acreage and production reported in 1935 has resulted in more favourable prices on the markets of Eastern and Central Canada, although Prairie markets indicate, to date, lower prices. Quotations for October 1935 per hundredweight for No. 1 stock of all origins compared with October 1934 advanced 87 cents at Montreal, 35 cents at Toronto and Vancouver, but declined 29 cents at Winnipeg. Central Canadian markets have remained strong despite comparatively heavy shipments from the Maritimes. Ontario growers appear to be withholding the bulk of the crop in anticipation of higher prices. This withholding of supplies may have some effect on prices and the movement of Maritime stock later in the season. It appears, however, that present prices will be maintained and possibly improved, should any appreciable export demand develop. Prices to producers have been higher in 1935 than for the 1934 crop. New Brunswick growers received 89.5 cents per barrel (54.2 cents per hundredweight) in October, 1935, compared with 21.5 cents per barrel (13.0 cents per hundredweight) in October, 1934, and an average of 23 cents (13.9 cents per hundredweight) for the 1934-35 season. Prince Edward Island producers received 31 cents per bushel (51.7 cents per hundredweight) in October, 1935, compared with 12 cents per bushel (20 cents per hundredweight) for October, 1934, and 11 cents per bushel (18.3 cents per hundredweight) for the 1934-35 season.

During recent years Canada's export trade in potatoes, chiefly to the United States and Cuba, has declined steadily. Exports to these two countries during the fiscal year ending March 31, 1935, aggregate 1,430,000 bushels, a decrease of 47 per cent as compared with a movement of 2,708,000 bushels for the previous year, and a 70 per cent decrease for the five-year average (1930-34) movement of 4,871,000 bushels. The falling off of exports to the United States has been due mainly to the tariff which was raised in 1930 to 75 cents per hundredweight. Since 1932, prices have been low, with the result that the tariff has practically precluded exports except of Canadian seed potatoes, for which there is still a limited demand on account of their superior quality.

Potato production in the United States for 1935 was estimated at 353,805,000 bushels as compared with 385,421,000 for 1934. The crop in Maine was

considerably lighter, being estimated at 38,080,000 bushels compared with 55,250,000 bushels for 1934.

The Potato Act, popularly known as the Warren Act, was enacted by Congress after two years of unusually heavy production and low prices. The purpose of the Act is to establish a balance between production, sale, and consumption of potatoes and such marketing conditions as will assure fair return to potato farmers.

The Act became operative December 1, 1935, and all potatoes harvested on or after that date come within its requirements. Sales allotments to individual growers are based upon past production and sales. All potatoes sold in excess of allotments are subject to a tax of three-quarters of a cent a pound as a means of checking sales of excessive quantities of potatoes.

To protect domestic growers, imports of potatoes from foreign countries as well as from territories or possessions of the United States will be limited to quotas. Potatoes in excess of these quotas will be subject to an internal revenue tax equal to the tax in effect on the first sale of potatoes in the United States. For the year commencing December 1, 1935, Canada has been accorded a sales allotment of approximately 2,600,000 bushels.

Under the United States-Canada Trade Agreement, Canada is accorded an annual quota from January 1, 1936, of 750,000 bushels of government certified seed potatoes, upon which the import duty is reduced from 75 cents to 60 cents per hundred pounds during the period from December 1 to the last day of February; and to 45 cents per hundred pounds during the period from March 1 to November 30. Exports of certified seed to the United States during the past three crop years were as follows: 1932 crop—341,000 bushels; 1933 crop—957,000 bushels; 1934 crop—327,000 bushels.

Seed potato shipments to the United States to date are considerably below those of last year but the production and price stabilization programs, which are being put into effect in the United States under the Potato Act, in conjunction with the influence upon potato growers of the low prices received in the past two years, are likely to result in a reduction in acreage and production in 1936.

The indications are that prices in the United States will be higher next year, and that there will be a stronger demand for Canadian Government certified seed stock. Under these circumstances the reduced duties applicable under the United States-Canada Trade Agreement should enable seed shippers to take full advantage of the quota of 750,000 bushels. Shipments may be made in excess of this amount but will be subject to the full rate of duty of 75 cents for a hundred pounds, and any shipments made in excess of Canada's sales allotment of 2,682,087 bushels would be subject, as above mentioned, to an internal revenue tax of three-quarters of a cent a pound, or a total tax of \$1.50 per hundred pounds.

Under the Cuba-United States Treaty of 1934, United States table potatoes are dutiable in Cuba at \$1.81 per hundredweight from November 1 to June 30 and during the remainder of the year at \$0.91 per hundredweight. During these periods Canadian table potatoes are dutiable in this market at \$2.27 and \$1.81 per hundredweight respectively. Seed potatoes enter Cuba free from all countries, at all times. The effect of the preference accorded United States potatoes has been to practically exclude Canadian table potatoes from this market. On the contrary Canada supplies practically all the seed potatoes used in Cuba. Estimates by the Cuban Department of Agriculture and importers indicate that a small increase in imports of seed potatoes, mainly from Canada, may be expected during 1935-36.

It would appear that 1935 production is adequate to meet domestic demands, and the higher returns to producers may be conducive to an increased acreage in 1936. Without a substantial increase in our export outlet any appreciable increase in production in 1936 may be accompanied by lower prices.

Turnips

The reduced yield of table turnips in Ontario and Prince Edward Island has been caused mainly by unfavourable weather conditions and further by brown heart, club root and insect injury. The bulk of the present season's crop destined for table use is still in storage, awaiting favourable export demand and anticipated higher prices. Turnips produced in certain districts of the provinces of Prince Edward Island and Ontario are favoured in the United States for table use. Comparatively small quantities are also exported to Newfoundland and Bermuda. Exports to the United States decreased consistently in recent years owing to the tariff of 25 cents per hundredweight which, under the Canadian-United States Treaty, has been reduced to 12·5 cents per hundredweight. The principal markets are the cities along the Eastern seaboard.

Onions

Ontario and British Columbia are the principal onion producing provinces. The production estimate for Ontario was 13,782 tons in 1935 as compared with 18,180 tons in 1934. The reduction in yield was chiefly caused by dry weather, thrip injury, and hail, which resulted in a high percentage of small onions. It is estimated there will not be over 60 per cent of No. 1 grade. In British Columbia 1,316 acres produced 13,180 tons as compared with 7,808 tons from 1,006 acres in 1934. The weather during harvesting was excellent and quality was reported as fairly good. Quebec and Manitoba also produce onions commercially, but estimates of production and acreage are not available. Despite only a moderate production, prices did not react favourably as compared with prices during the previous season.

Exports of onions from Canada during the first half of the present fiscal year amounted to 99,000 bushels as compared with 37,000 bushels during the same period in 1934. There appear to be good possibilities for establishing a steady market in the British West Indies.

COMMERCIAL PROCESSING OF FRUITS AND VEGETABLES

Commercial processing of vegetables continues to increase. The packs of asparagus, peas and tomatoes show marked increases over 1934. Export shipments of these products advanced over the previous year. The increase that has been noted in the export of canned fruits and vegetables during the past two years is expected to be maintained.

Canned Vegetables.—The rise in the output of canned vegetables evident in recent years was accentuated in 1934, and the total pack of 6,582,000 cases was the highest since 1930. Preliminary reports on processing of certain vegetables indicate that 1935 will show a further increase. Prior to and including 1930, Canada was an importer of canned vegetables. Since that year, however, imports have shown a marked decline. Exports have increased rapidly, the excess of exports over imports in 1934 being 16,300,000 pounds.

The pack of asparagus canned in 1935 was the heaviest on record. Eighty-six thousand cases were reported as against 56,000 cases in 1934 which was previously the peak year. In 1934, exports of canned asparagus to the United Kingdom amounted to 6,400 cases. During the six months period, April to September 1935, there were exported 7,300 cases.

Early in 1934, the Canadian market appeared to be overstocked with canned tomatoes. The 1934 pack was larger and in many cases better than previous

years. Owing to the scarcity of canned tomatoes in the United States and in Europe, exports of tomatoes from April to September were very heavy, there being 129,000 cases of tomatoes forwarded to Great Britain in that period as against a total export of 18,700 cases for the corresponding period of 1934. The demand for tomatoes in the United Kingdom is largely restricted to the Italian or plum type of tomato, the source of which is Italy and Spain. Short crops this season in Italy and Spain and a reduction of exports from other causes will tend to restrict competition from these sources. Canada should, therefore, share to a somewhat greater extent in the British market.

Available data indicate that there has been a slight decrease in Canadian shipments of tomato paste and puree. Export shipments of these products amounted to 100,000 cases from April to September, 1935, as against a total of 104,900 cases for a similar period of 1934. Canada continues to be the chief source of supply for ketchup, tomato sauces, and tomato soup shipped to the United Kingdom. Large quantities are also shipped to other countries.

The production of canned peas has increased sharply during the past two years. Owing to the relative shortage of the pea pack in 1933, there was practically no carry-over into 1934. In order to meet an increased export demand both in Great Britain and the United States this season, and also because of a healthy domestic marketing situation, resulting partly from a small carry-over from 1934, the pea pack was stimulated to an increased total output of 1,984,000 cases in 1935 as compared with 1,363,000 cases in 1934 and 823,000 cases in 1933.

Canned Fruits.—Estimates of the output of canned fruits in 1935 are not available for all products. Preliminary estimates of the production of canned raspberries show a sharp increase, rising from 43,000 cases in 1934 to 76,000 in 1935. The quantity of strawberries canned advanced from 30,000 cases to 45,000. An increase in the output of canned pears is also anticipated.

Exports.—Exports of canned fruits from Canada in 1934 again showed a considerable increase, due chiefly to heavier shipments of pears and apples to the United Kingdom, these two fruits together constituting 70 per cent of the total. The United Kingdom took 97 per cent of the total exports of canned fruit and it is expected that the current season will see a continuation of this movement.

The increase in shipments of apples in gallon cans is a beneficial development. There appears to be an expanding market for these in the United Kingdom. They are rapidly replacing evaporated apples in the bakery trade. The market, however, requires a quality product and apples from the United States have been accepted as the standard. It is evident that Canadian packers who are willing to compete on a quality basis with the well coloured Oregon pack should be able to supply some of the requirements of this market. Consistently high quality and continuity of supply are the important factors.

There has been a decline in the export shipments of canned cherries due evidently to the shortage of the crop, but this product is increasing in favour with the Canadian public and larger packs may be desirable. In recent years, it has been found possible to utilize the Royal Ann cherry in the production of glace and maraschino style cherries. Quantities are packed in British Columbia very satisfactorily. Almost 1,000 barrels of plum pulp have been forwarded from Ontario to the jam factories in Great Britain. Several new factories have commenced packing blueberries; a very small proportion of the output is exported. For the past two years owing to the scarcity of apples, very few apple evaporators have operated in Ontario and these principally in the manufacture of stock intended for use in mince meat. Nova Scotia, however, has continued to pack a large quantity practically all of which has been exported, large shipments going to Norway and Sweden.

Frozen Pack Fruits and Vegetables

Several canning firms have introduced frozen-packed strawberries and raspberries during the last three or four years and recently one packer has put up a considerable amount of green peas. During the 1935 season Ontario and Quebec frozen-packed approximately 60,000 pounds of strawberries, 20,000 pounds of raspberries, 76,000 pounds of peas, and 1,000 pounds of asparagus.

SUGAR BEETS

The provisional estimate of Canadian sugar beet production was given as 463,000 tons, compared with 430,700 tons in 1934. This was an advance of 32,300 tons. The 1935 production has been exceeded in the years 1932 and 1926.

In Ontario, where 71 per cent of sugar beet production takes place, the area in 1935 increased by 900 acres, and the production by 71,300 tons. In Alberta, which is next in relative importance as a producer of beets, the area in sugar beets was reduced by about 300 acres in 1935 and production was 39,000 tons lower. During the past several years a limited production of sugar beets has been harvested annually in British Columbia, where beets are grown entirely for export to the United States.

Sugar beets are grown under contract between growers and manufacturers the matter of price and acreage being arranged within the industry. Prices on raw sugar are showing a tendency to advance, and it is expected, therefore, that the industry will at least maintain its present basis of production.

HONEY

The average honey crop of Canada for the past four years has been much lower than the average production of the period 1927-31. Unfavourable weather conditions have been largely responsible for this decrease. Production has also been lower in several of those countries which are our chief competitors on markets abroad. The amount of honey exported during the past three years has remained fairly constant, but was considerably below that exported during the crop year ending July 31, 1932. Prices on the export markets advanced during the period 1932-34 but because of keener competition declined slightly during the past year. The domestic consumption for honey has remained relatively stable, but prices to producers have been lower, which can only be expected when overseas conditions are considered.

Production.—The average production of honey in Canada for the period 1927-31 inclusive was 28,400,000 pounds, the year of highest production being 1931 with a crop of 29,700,000 pounds. In 1932 production fell to 19,500,000 pounds, rising again to 22,900,000 pounds in 1933 and to 24,300,000 pounds in 1934. Figures covering the crop for 1935 are not yet available, but estimates already received indicate a decrease from 1934 may be expected.

Weather conditions are mainly responsible for the decreased yields of the past four years chiefly through the destruction of the major sources of nectar. Other countries such as the United States, New Zealand and Australia suffered like conditions over the same period. On the other hand two very bountiful

crops were harvested in Great Britain during 1933 and 1934 and while these crops fell far short of supplying domestic requirements, there is no doubt that they affected the amount imported from other countries.

Markets and Prices.—The amount of honey exported from Canada by crop years since 1930-31 has varied from 1,900,000 pounds to 3,000,000 pounds, averaging approximately 2,350,000 pounds. The figures show that exports of Canadian honey have held relatively stable for the past three years. The decrease shown from the year 1931-32 corresponds to the sharp drop in production that occurred in 1932. During the years 1932-33 and 1933-34 prices received for exported honey showed a substantial increase, but during the past year a decided reduction occurred. Although small amounts of honey are exported to other countries the markets of the United Kingdom are by far the most important to Canadian producers. It is encouraging to note that the only increase in importations to those markets during the past year were from the United States and the British West Indies, the increase amounting to a few thousand pounds.

In the export market, prices have declined slightly during the past year, because of greater production, resulting in keener competition. The domestic consumption appears to remain fairly steady. From 1931 to 1934 average wholesale prices on the home markets increased from 7·6 to 9·2 cents per pound, but this year it is very doubtful if it will exceed 8·5 cents. Another cause of low prices on the domestic market is unorganized marketing. A contributing factor also is the high moisture content of the 1935 crop. A general lowering of prices and a chaotic market have been brought about by offerings of honey for sale at prices below those generally prevailing.

General Considerations.—During the past few years there has been a steady increase in the number of package bees imported into Canada. For the calendar year 1934 the value of imported bees amounted to \$149,161 and in 1935 to \$166,103. A decrease of approximately 8 per cent in the price of package bees went into effect in 1935; therefore, the increase is a substantial one. In addition more interest has been taken during the past year in the question of wintering bees, which indicates a possibility that more colonies may be wintered over this year than in the past. This together with the increased importations of packages, indicates that a greater production may be looked for, providing of course that climatic conditions are favourable to production.

The marketing situation is none too encouraging at the present time because of lowered prices, and increased production is bound to aggravate the situation. It is possible, that with better marketing organization, offering a high quality properly graded product, conditions might be improved. The tendency is towards centralized packing in order to bring about uniformity in quality and pack. Compulsory grading for export and for interprovincial trade was adopted in 1934 at the request of the bee-keepers themselves, and there are now indications that in the near future grading of all honey will be requested.

MAPLE PRODUCTS

Production of maple syrup was 22.5 per cent higher in 1935 than in 1934. Sugar production increased 32.3 per cent. Exports of maple sugar to the United States were 169 per cent of 1934. The duty on maple sugar entering the United States has been reduced from 6 cents to 4 cents per pound. Stocks of maple syrup and sugar are the lowest in years. Production prospects appear to be favourable for a yield in 1936 at least equal to that of 1935.

The 1935 yield of maple syrup amounted to 2,251,000 gallons, as compared with 1,838,000 gallons in 1934, an increase of 22·5 per cent. Production of sugar was 6,539,000 pounds as compared with 4,941,000 pounds in 1934, an

increase of 32.3 per cent. The entire output expressed in pounds of sugar was 29,047,000 pounds as compared with 23,325,000 pounds in 1934. Of this quantity approximately 21.5 million pounds were produced in Quebec, 7 millions in Ontario, and the remainder in the Maritime Provinces. The value of the entire crop was \$3,522,000, the largest figure in a number of years. The average prices were \$1.24 per gallon of syrup and 11 cents per pound of sugar.

Exports during the fiscal year 1934-35 amounted to the equivalent of 4,241,000 pounds of sugar. The greater part of the sugar exported went to the United States. Exports for 1934-35 were 69 per cent greater than for the previous twelve months, but considerably under the five-year average. The duty on Canadian maple sugar entering the United States under the new trade agreement has been reduced from 6 cents per pound to 4 cents per pound. No change has been made in the duty on syrup.

Recent information indicates that stocks of maple syrup and sugar in dealers' hands and in the country are the lowest in many years. Present prices are low but the tendency is towards some improvement. Demand is showing definite improvement and unless the new crop is abnormally large, prices paid to the farmers next spring should be higher. Average rainfall and sunshine during the past summer have provided conditions suitable to storage of sap in the trunks and branches of the trees. If there is a good snowfall during the winter and proper weather conditions during the tapping season, a crop at least equal to that of 1935 should be harvested.

TOBACCO

The Canadian tobacco crop of 1935 exceeded that of any previous year, and was 45 per cent greater than the 1934 crop. Acreage in 1935, however, was only 20 per cent over that of 1934. With an improvement in general economic conditions and a closer co-operation between growers and purchasing companies in the marketing and production of flue-cured and Burley tobacco, the price situation is much improved over 1933, particularly in Ontario where over 85 per cent of Canadian tobacco is now produced. The crop of flue-cured tobacco was purchased very rapidly with unusually keen competition among the buyers. The domestic manufacturers probably purchased supplies in excess of their immediate requirements and the demand for 1936 will not likely be greater than that of an average production on an acreage similar to that planted in 1935. Although the acreage planted to Burley in 1935 was not as large as anticipated, an increase of over 10 per cent in acreage does not seem to be warranted for 1936. The production of dark tobacco was also increased during 1935, and with no apparent advance in consumption of this type, it would appear that an increase in production in 1936 might lead to difficulties in marketing. Although the demand for cigar tobacco grown chiefly in Quebec has improved slightly in the past two years, the present production appears to be sufficient to meet requirements. The same is true of other types of tobacco grown in the province of Quebec.

Production.—The Canadian crop of 1935 is regarded as of exceptionally fine quality. Estimated yields per acre of flue-cured, Burley, dark and cigar leaf were equal to or exceeded that produced in any of the last ten years. The total production is estimated at more than 55,000,000 pounds. Production of flue-cured is estimated at 35,000,000, Burley at 10,500,000 and dark at 2,500,000 pounds. In Quebec, cigar leaf will approximate 3,750,000 pounds; large pipe, 3,225,000 pounds; and small pipe, 300,000 pounds. A comparison of production in 1935 with 1934 reveals an increase of 12,500,000 pounds of flue-cured, 2,500,000

pounds of Burley, nearly 1,000,000 pounds of dark, 1,750,000 pounds of cigar leaf, with a reduction of 500,000 pounds of Quebec large pipe tobaccos, and a similar decrease for the small pipe varieties. Production of tobacco in British Columbia was considerably reduced because of early spring floods in the Sumas area.

Leaf Stocks.—Recent reports indicate that the stocks of flue-cured and Burley are not excessive, while those of dark tobacco and cigar leaf are still somewhat high, although some reduction has taken place. Stocks of imported flue-cured, Burley, dark and all other types were less on September 30, 1935, than on the same date in 1934. Holdings of imported cigar leaf were only slightly higher.

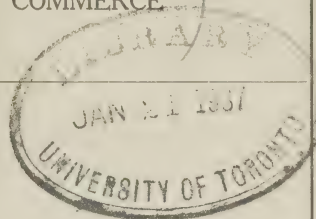
The Domestic Market.—The upward tendency in the consumption of tobacco products, except plug and snuff, in evidence since 1933 continued during 1935. The greatest increase in manufacture was registered in the output of cigarettes followed by cigars and cut tobacco. Withdrawals of cigarettes from bond for consumption in 1934 showed an increase of 12 per cent over 1933, whereas it would appear that for 1935 the increase would be 21 per cent over 1933. The proportion of domestic leaf in manufacture has been rising gradually since 1933. With heavy purchases of high quality domestic flue-cured leaf in 1935, the relative amount of imported leaf used in Canada is expected to decline. Further increases in the demand for domestic leaf of necessity will depend on increased per capita consumption and population increase.

The Export Market.—The decrease in exports of tobacco to the United Kingdom noted in 1934 was again in evidence during 1935. On the other hand, there was a moderate increase in withdrawals from bond for consumption in that country and a considerable movement in re-exports from the United Kingdom to Europe. As a result of these factors, stocks in bond were reduced to a normal level of about two years and two months' supply at the end of September. There is some evidence of a slightly improved demand for Canadian flue-cured tobacco largely as a result of this reduction in available stocks, and also because of the high cigarette quality of the 1935 crop. In addition to lower stocks, the Southern Rhodesia crop has turned out to be several million pounds short of that of the previous year, and moreover, because of drought, an unusually high proportion of the lower grades is reported. Competition in the United Kingdom market from Indian flue-cured is not likely to be as great as was anticipated, owing to increased demand in India and growing exports to Japan.

No change is expected in the export situation as affecting Burley. The demand for this type of tobacco in the United Kingdom continued steady at a level of approximately two to two and a half million pounds. Trade with the British West Indies has been maintained at approximately the same level as in 1934. A moderate increase in the export of both flue-cured and black fat tobacco may take place in the coming year. Exports to British West Africa showed a sharp increase during 1935, and with the larger crop of dark tobacco which was produced a continuation of this trend may be expected in 1936. There is nothing to indicate any improvement in the export market for cigar leaf. Competing plantations in British North Borneo which closed down in 1934 have been reorganized and are again on a producing basis.

DOMINION OF CANADA

THE DEPARTMENT OF AGRICULTURE
AND
THE DEPARTMENT OF TRADE AND COMMERCE
CO-OPERATING



THE
AGRICULTURAL SITUATION
AND OUTLOOK
1937

(Prepared December, 1936)

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and
The Honourable W. D. Euler, Minister of Trade and Commerce
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FOREWORD

THE Agricultural Situation and Outlook for 1937 is the fourth annual report prepared by the Dominion Departments of Agriculture and of Trade and Commerce. It provides a brief outline of current trends in agricultural production and marketing which is designed to assist Canadian farmers in planning their 1937 production programs with a view to increasing individual farm incomes.

Facts pertaining to the demand for Canadian agricultural produce, in both the domestic and foreign markets, are reviewed in detail. Trends in production and other factors affecting the supply of agricultural produce are considered. The forces which influenced production and marketing of individual agricultural commodities in 1936 are indicated, with a view to throwing some light on the conditions which may prevail in 1937. These facts should be of assistance to Canadian farmers in making their decisions regarding the particular items of farm produce most desirable to stress in their 1937 plans. It is not desirable that agricultural production should vary widely from year to year, but by taking advantage of known facts, it may be possible to avoid future marketing difficulties. The fact that agriculture is closely inter-related with other industries necessitates a knowledge of the basic trends of industrial activity in Canada and abroad. In several of the provinces, the Dominion report is amplified by provincial reports of a similar nature. These publications present local details and discuss factors which cannot be included in the national report.

The committee in charge of the preparation of the Agricultural Situation and Outlook gratefully acknowledges the assistance rendered by both Dominion and Provincial departmental officials.

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SUMMARY

The basic influences on the Agricultural Outlook for 1937 are the current features of Foreign and Domestic Demand. These may be classified briefly as follows:—

Domestic Demand Situation

Favourable Features

1. Industrial production increased 9% in 1936 compared with 1935.
2. The index of manufacturing in Canada increased by 10% in 1936.
3. Retail sales increased by 4% in 1936.
4. Tourist trade continues to increase from year to year.
5. The spread between farm prices and the general price level was narrowed materially during 1936.
6. Prices of farm products continue to rise.

Unfavourable Features

1. Unemployment relief continues to be a major problem.
2. The construction industry has been slow in showing signs of recovery.
3. Moderate price increases for living necessities and certain operating requirements are expected in 1937; these may however be more than offset by more rapidly rising prices of farm products.

International Trade Conditions

Favourable Features

1. World trade increased during first nine months of 1936.
2. Trade of Canada's two chief customer countries, the United Kingdom and the United States, has been increasing.
3. Stocks of primary products in importing countries have been reduced.
4. Trade Agreement policies are bringing encouraging results.
5. Progress has been made toward more assured stability of exchange rates.

Unfavourable Features

1. Trade restrictions are still impeding the flow of world trade.
2. Political, financial, military and social problems continue to dominate trade policies of European countries.
3. Trade in foodstuffs has lagged behind trade in other commodities.

Some of the important features of the Situation and Outlook for individual commodities follow:—

Grains

Wheat

1. World wheat production in 1936, exclusive of Russia and China, was 88 million bushels below that of 1935.
2. There was a reduction in world wheat stocks amounting to 155 million bushels in the 1935-36 crop year.
3. Reductions in wheat yields in European importing countries is encouraging a moderate increase in world trade.
4. Normal yields on present world wheat acreage would again tend to build up world wheat stocks.

Durum Wheat

1. Durum wheat acreage increased by half a million acres in 1936, but production was increased by only about one million bushels.
2. The short United States crop has led to brisk exports to that country.
3. Durum wheat has commanded a substantial premium over bread-flour types due to the supply situation.

Oats

1. The oat acreage decreased by approximately one million acres in 1936 and production was lower by 120 million bushels.
2. Exports of oats and oat products declined 44·5% in the first four months of 1936-37 crop year compared with the same period of 1935-36.
3. Higher prices for oats during 1936 will probably stimulate an increased acreage in 1937.

Barley

1. Despite increased acreage, barley production was 9·5 million bushels lower in 1936 than in 1935.
2. Barley exports during the first four months of the 1936-37 crop year were 11,850,536 bushels compared with 2,749,841 bushels during the same period of 1935-36.
3. Barley prices have been relatively high which will encourage an increased acreage in 1937.

Rye

1. Total rye production in 1936 was 5 million bushels compared with 9 million bushels in 1935.
2. There has been a marked reduction in the use of rye by the distilling industry since 1930.
3. Despite the short crop, available supplies of rye in Canada for the 1936-37 season were about equal to those of the previous season.

Seed Grain

1. A movement of seed grains from areas of plenty to areas of scarcity will be necessary before seeding in 1937.
2. An increase in the practice of growing registered and certified seed grains is advisable.
3. The supply of red clover seed is short. Alfalfa and alsike seed are in demand in the United States market.
4. Timothy seed production was low in 1936, but with the carry-over from 1935 should be sufficient for requirements.

Feed Situation

1. Feed supplies for 1936-37 are very unevenly distributed.
2. Drought conditions in certain areas of the Prairies and Ontario left feed supplies very low.
3. Feed prices rose sharply in the fall of 1936.
4. Feed supplies in the Maritime Provinces, Quebec and British Columbia are satisfactory.

Live Stock

Beef Cattle

1. The market absorbed the heavy supplies satisfactorily at the close of 1936.
2. Exports to the United States were of substantial volume in 1936.
3. Shortage of feed has led to higher costs of beef production.
4. Store cattle were purchased at lower prices in the fall of 1936 and improved prices are anticipated in the spring of 1937.

Hides

1. Improved demand leads to the anticipation of higher prices in 1937.
2. Supplies have been almost all sold.
3. United States government holdings of hides have been materially reduced.
4. The market for sheep skins improved during 1936.

Hogs

1. Increased hog production was checked last autumn.
2. The ratio of hog prices to feed prices became unfavourable with the rise in feed prices in the fall.
3. There was a definite expansion in the volume of exports of bacon to the United Kingdom in 1936.
4. Increased marketings are expected in the spring months, followed by decreased supplies later in the year.

Horses

1. The horse population remained relatively constant in 1936 compared with 1935.
2. Over 15,000 horses were exported to the United States in the first nine months of 1936.
3. Prices of horses were about 20% higher than in 1935.

Sheep and Wool

1. Comparatively good prices for sheep and lambs were paid in 1936.
2. There will be a considerable volume of short-keep lambs available for slaughter early in 1937.
3. Wool production in 1936 was lower than average, but prices were higher than for some years.

Poultry and Eggs

1. Numbers of hens and chickens on farms increased by 5% in 1936 over 1935.
2. Prices of eggs averaged higher than during 1935.
3. Exports of live poultry to the United States totalled 311,934 for the first ten months of 1936 compared with 23,328 head during the same period of 1935.

Dairy Products

1. Butter production in 1936 was above that of 1935 and prices also averaged higher.
2. Cheese production showed a substantial increase in 1936 in response to higher prices.
3. Exports of cheese to both the United Kingdom and the United States were higher in 1936.
4. Numbers of dairy cows on farms in 1936 declined slightly.

Fruits

1. Production of almost all types of fruit was lower in 1936 due to unfavourable weather conditions.
2. Little permanent damage to fruit trees was reported during the winter of 1935-36, except to apple trees in British Columbia.
3. Lower production of apples in 1936 resulted in reduced exports to the United Kingdom.

Potatoes

1. Canadian potato production in 1936 was only slightly above the small crop of 1935.
2. Prices of potatoes during 1936-37 will probably average slightly higher than for the 1935-36 season.
3. Export demand for both seed and table stock has been brisk.
4. An average yield in 1937 with anything more than a modest increase in acreage would probably result in marketing difficulties.

Honey

1. Honey production was again below average.
2. Exports to the United Kingdom for the year ending July 31, 1936, were lower than for the previous year.
3. Prices on the domestic market held fairly constant throughout 1936.

Tobacco

1. Despite increased acreages, the unfavourable weather conditions of 1936 materially reduced the production of flue-cured and Burley tobaccos.
2. Stocks of flue-cured and Burley tobaccos are relatively low, while those of cigar leaf are high.
3. The upward trend in consumption of cut and cigarette tobaccos continued throughout 1936. Consumption of cigars and plug tobacco declined.
4. An enhanced export for the 1937 crop may be anticipated provided that quality and price are satisfactory.

THE AGRICULTURAL SITUATION AND OUTLOOK

THE DOMESTIC SITUATION

Substantial business recovery continued throughout 1936 with consequent improvement in employment and greater income in the hands of the people. This should result in a moderate increase in domestic demand at least for the first half of 1937 and probably longer. Progress was uneven however, and a low rate of activity in some industries, such as building and construction, held back the general advance. Rising prices in the latter half of 1936 more than offset the effect of lower agricultural production upon cash receipts. Gross cash income except in drought areas should be greater for the first six months of 1937 than for the corresponding period of 1936.

Industrial Production.—From records covering the first eleven months of 1936, it is evident that manufacturing and other industries in Canada were definitely more active than in the preceding year. Although there was a moderate decline during the first three months from the high levels existing late in 1935, conditions commenced to improve again in April, and preliminary estimates show that the average level of production in 1936 was at least 9% above that for 1935.

Considerable improvement occurred in the manufacturing industries, the official index of manufacturing production having shown a gain of nearly 10% in the first eleven months of 1936 over the same period of 1935. Newsprint production which surpassed the prosperity peak of 1929 was among the factors contributing to this increase, although newsprint prices remained far below pre-depression levels. Raw cotton imports indicating demand in the textile industry were up 31% over the same period of 1935. Exports of lumber reflecting the continued building activity in the United Kingdom were more than 27% higher. Mineral production showed acceleration in all branches, 1936 indexes averaging 12% above those for 1935 in the first eleven months. Nickel exports registered a gain of 19%. There was also an increase in production of zinc, copper, gold, silver and coal. The output of electric power in the same interval exceeded any like period in the history of the industry, showing a gain of nearly 9% over 1935, when the previous record was made.

Activity in the construction industry pointed to a significant change in this field, the relative importance of private construction having increased over that of 1935 when Government contracts aggregated over 40 million dollars or approximately 25% of the value of all contracts awarded. Although the value of new public buildings was sharply lower, increases in other classes of construction were sufficient to advance the total value of new construction above the 1935 level. During the past year there was a steady improvement in residential building, and also in stores and theatres. Although the amounts involved under these last two headings were small, they point to the beginning of a revival of confidence in the outlook for returns from long-term investment, a factor which was absent in the earlier stages of recovery. The recent decision of the Dominion Government to make loans for the modernization of homes should further stimulate activity in residential building. Improvement in residential

building comes at a time when the supply of long-term capital is plentiful and borrowing costs are the lowest on record, although there has been little change recently in rates on short-term commercial loans.

The employment situation improved materially from that in 1935, particularly during the latter half of the year. The average number of workers employed was about 4% higher in 1936 than for the year preceding, although the manufacturing industries considered alone, registered a larger increase of about 7% and in the mining industry the advance was still greater at 10%. There was an offsetting decline, however, in highway construction amounting to more than 20%. The number of persons receiving direct relief in 1936 rose gradually to 1,398,410 in March, but had declined to 1,063,546 for July. This drop of about 25% was approximately three times as large as the average percentage increase in employment recorded in the same part of the past four years. Farmers and their dependents comprised 376,239 of this total in March and 298,141 in July. Although the total number declined in July, the farm group increased by over 7,000 persons in that month due largely to the serious drought condition in parts of Western Canada.

Consumption.—A slightly greater volume of consumption in 1936 was indicated both by records of the amount of goods entering into consumer channels, and of income in the hands of the people. As already noted, the general level of employment was higher, and although wage rates showed little improvement, there was a noticeable decrease in short-time operations reported by industrial concerns. Rail freight shipments of consumption merchandise during the first ten months showed a slight volume increase of approximately 1% over the same period of 1935. The average level of retail sales in Canada was nearly 4% above sales for 1935, while retail commodity prices advanced about 2%.

A more detailed consideration of retail sales figures reveals significant differences in various merchandising groups. Purchases of goods which may generally be termed luxuries, and also of durable necessities have been considerably higher than in 1935. Thus, returns from radio dealers and dyers and cleaners were running well above 1935 levels. So, too, were sales of furniture and hardware. Grocery and meat merchants, clothing stores, and department stores on the other hand showed sales increases only slightly larger than price advances in their fields, indicating very moderate improvement in volume. Goods of this type, of course, had not suffered the same shrinkage in volume as luxuries during depression years. A growing source of purchasing power closely associated with the greater general use of the automobile is that of tourist expenditures. The estimated excess of expenditures of foreign tourists over those of Canadian tourists abroad has risen from about 66 million dollars in 1933 to nearly 123 million dollars in 1935. A substantial increase in tourist automobiles entering Canada indicated that there was a further rise in this figure during 1936.

The retail value of automobile sales for the first nine months of 1936 was 12 per cent higher than for the same period of 1935, although production declined slightly due to contraction of the export market and the earlier appearance of 1936 models. In the past year or two, financing companies have allowed loans of about \$700 per car, as compared with approximately \$600 in 1932, and at the same time loan conditions have become more favourable to the purchaser. This is evidence of improvement in the risk which this type of financing now offers, a change presumably resulting from more certain incomes. The percentage of cash purchases has risen steadily.

The existence of noteworthy improvement in purchases of certain types of goods while general indexes of consumption fail to show appreciable changes is indicative of the uneven and incomplete nature of recovery. Consumption cannot be considered satisfactory while over one-tenth of the population remains

upon a direct relief standard of living. Encouraging as has been the recent rise in farm income, it is neither sufficient to enable the farmer to purchase normal requirements, nor to provide fully for current debt charges. Besides this deficiency there still exist large amounts of principal and interest arrears that have accumulated during the past six years. In view of general improvement, the consumption outlook is encouraging, but it must not be forgotten that these unsatisfactory conditions have still to be corrected.

COMMODITY PRICES AND LIVING COSTS

After a period of two and one-half years of stability at approximately 72 per cent of the 1926 average, the general level of wholesale prices commenced to move upward again in the third quarter of 1936. This movement has been dominated generally by farm products, and by grains in particular. It is the most pronounced that has occurred since the spring and summer of 1933, when speculative activity stimulated by currency adjustments sent prices sharply upward. Although there is a possibility of still higher price levels due to credit expansion, the recent rise has been chiefly in response to reductions in world commodity stocks. Grains have shown the sharpest reaction to the changing supply situation, which has also been a factor in the strengthening of other leading primary commodity markets during the past three years. The general wholesale price level is now above 77 per cent of the 1926 average.

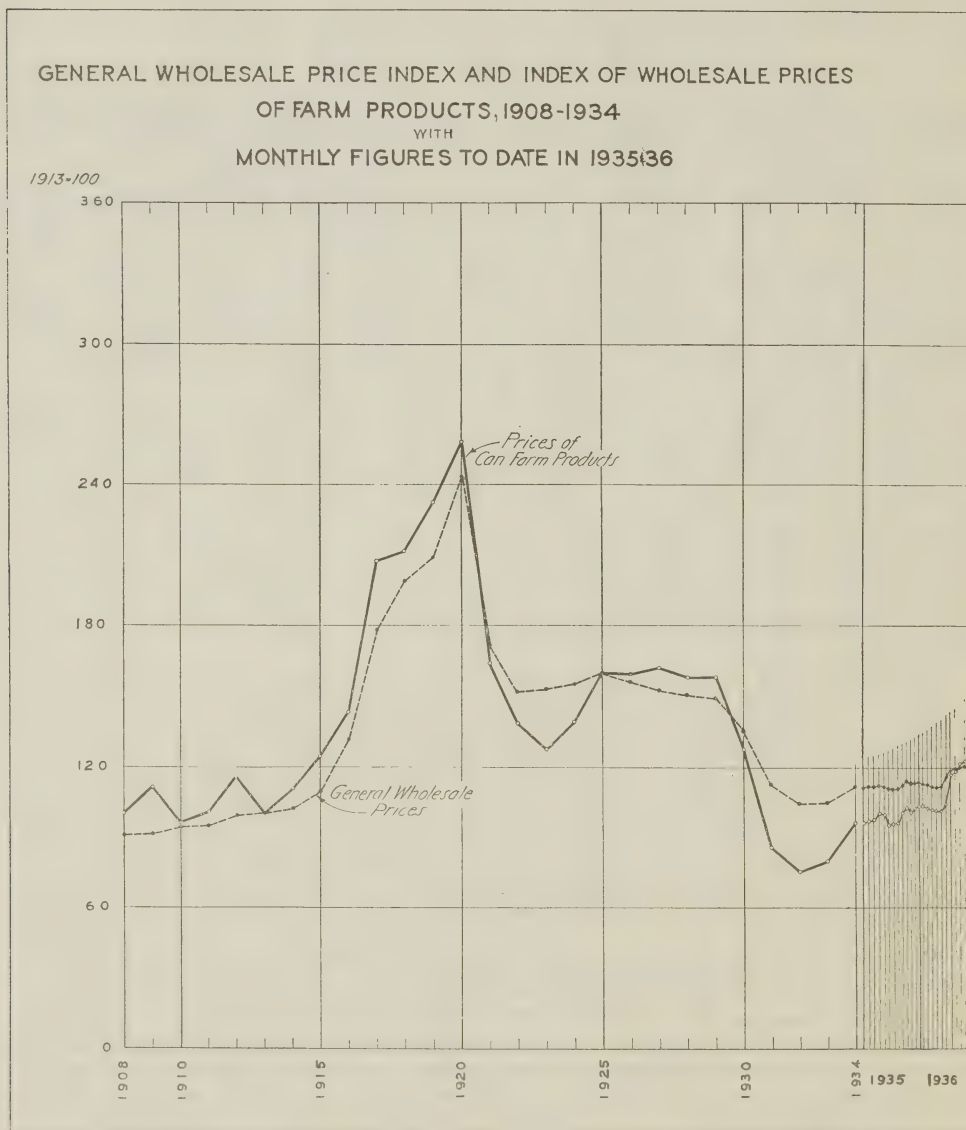
With the exception of live stock, wholesale prices for farm products in 1936 compared favourably with those for 1935. This improvement was not of great consequence however, until the third quarter. Its extent is indicated by records for the end of November when the farm products wholesale price index number was 77.4 as compared with 65.0 for the same date of 1935. Although grain prices have been largely responsible for the increase, other products including potatoes, eggs, cheese, wool and tobacco are definitely above levels of the preceding year. Cattle and hog prices affected in part by forced sales in drought areas, have failed to maintain 1935 levels, but milk and butter have remained about the same as in the preceding year.

Improvement in wholesale prices of farm products reflects higher prices actually received by the farmer for products sold off the farm. It is estimated that actual farm prices have risen since 1932 from about 35 per cent to about 65 per cent of the 1926 level, while prices for goods purchased by the farmer have not yet risen above 1932 levels, that is, about 82 per cent of the 1926 average. The farmer's price disadvantage has thus been reduced materially, although still remaining an obstacle in the road of normal agricultural consumption. The farmer's position as a buyer is likely to be affected during the coming year by moderate price increases for living necessities and certain operating requirements. These include food, clothing, feed, fertilizers, and building materials. Judging from price behaviour of the past four years, however, the net effect of this rising tendency is not likely to be felt seriously by the farmer.

Farm Income.—A consideration of the probable level of farm prices and of the volume of farm products to be marketed indicates that, exclusive of the drought areas, Canadian farmers are likely to obtain an income during the early part of 1937 which will be somewhat higher than that obtained during the same period of 1936.

Crop failure greatly reduced the farm income in certain areas of the Prairie Provinces and lowered the total Canadian production of spring wheat in 1936. In spite of this fact, the total farm income from the sale of the entire spring wheat crop, a part of which will be marketed during 1937, will be higher than that obtained from the sale of the 1935 crop because of improvement in the marketing situation and the higher average quality of the product. The cash income of

farmers in the areas producing durum wheat and fall wheat should be enhanced as a result of the larger 1936 crops and of higher prices. Income from the 1936 barley crop will be higher than that obtained from the crop produced in 1935. With a general improvement in economic conditions dairy farmers may expect a somewhat higher gross cash income for 1937 than was obtained in 1936, in spite of the probability of fewer milk cows and the likelihood that feed costs will be higher.



Higher prices in the domestic market and better prospects for export trade are likely to result in a larger gross income from the sale of the 1936 potato crop than was obtained from the sale of the crop in the previous year. Although unfavourable weather and infestations of disease and insects resulted in a lower production of apples in 1936, there was little damage to trees of a permanent

nature to adversely affect the 1937 crop. While it is likely that the income from the sale of the 1936 crop will be equal, if not somewhat higher than that obtained from the sale of the 1935 crop, such a statement would not appear to have the same significance in Nova Scotia as in other apple-producing provinces.

A consideration of the factors which are likely to affect the live stock marketing during 1937 would appear to indicate that the total returns to producers from the sale of live stock would not differ greatly from those obtained during the previous year. From the present outlook it would seem that the total returns to Canadian poultrymen from the sale of poultry products during 1937 will be equal or slightly better than those received during 1936.

Rural Taxes.—Taxes in rural municipalities showed relatively little change in 1936 compared with 1935. In some sections, collections were better and arrears were reduced. This obviously was not the case in areas where crop failures occurred. Expenditures for relief and necessity of making replacements and repairs which had already been postponed tended to maintain tax levies but low income and the large amount of arrears made substantial increases impracticable.

Farm Real Estate.—In 1935 and 1936, average land values in Canada rose slightly and are now about 65 per cent of their pre-war level. The average value per acre of occupied farm lands in Canada declined 40 per cent from 1928 to 1934. During the depression the decline in the value of farm lands was not so great as the decline in the net returns from farming, nor has the recovery in farm land values been as rapid as the recovery in the prices of farm products. In some provinces, low volume of production caused by drought is responsible, in part, for the relatively low value of land. The chief factors which appear to be retarding recovery of land values to the pre-war level are high taxes, transportation, handling charges for farm products, farm labour and other costs as compared with 1914.

While some reduction in farm taxation has taken place, the possibility of any return to the pre-war tax levels is very remote. Therefore, farm land values will rise chiefly in response to higher net returns, these being brought about by a combination of increased efficiency and rising prices of farm products. It is expected that prices of farm lands will continue to rise during 1937, with considerably greater activity in purchase and sales.

Debt Revisions.—More than 23,000 cases of individual farmers' debts have been submitted for consideration under the Farmers' Creditors Arrangement Act. A total of 16,000 cases have been settled, over 10,000 of which were disposed of by voluntary consent of these farmers and their creditors. Important debt adjustment legislation has also been passed in Saskatchewan and Alberta during 1936. The reductions in farm debt following these legislative measures will undoubtedly have the effect of lessening the burden of debt repayment during 1937. The province of Quebec has recently enacted legislation providing for the establishment of a Farm Credit Bureau for the purpose of making long-term loans to farmers in that province. The rate of interest has been set at 2.5 per cent with repayment of principal on an amortization plan at the rate of 1.5 per cent per annum.

INTERNATIONAL TRADE CONDITIONS

In the United Kingdom and the United States—the two major markets for Canada's exports of farm products—economic recovery is evident in marked degree. World trade improvement continues to be sluggish in comparison with the trend of domestic recovery in many countries, and has been especially slow to assert itself in regard to the movement of foodstuffs. Sharp reduction of world stocks of primary commodities in 1935 paved the way for rising prices of many agricultural products in 1936, and the better adjustment of supply to demand is now being reflected in increased world trade. While no general relaxation of trade restrictions is yet apparent, recent currency changes have furnished a better foundation for further progress in that direction—progress that must be dependent in large measure on political as well as economic factors.

The volume and value of world trade maintained slightly higher levels during the first nine months of 1936 and entered the final quarter in a stronger position than was the case in 1935. Trade with Canada's principal customer countries, the United Kingdom and the United States which between them take from 75 to 80 per cent of Canadian exports, increased in 1936, as was also the case in 1935. Notwithstanding this relatively favourable showing, however, the volume of world trade remains at a low level compared with the pre-depression period. The total for 1935, the last full year for which complete information is available, was only 2 per cent in terms of value, and 4.5 per cent in volume, greater than that of 1934. Compared with the low level of 1932, the volume of 1935 represents an increase of but 10 per cent. The improvement in international trade has not kept pace with the increase in domestic recovery reported by many countries.

Although the increase in world trade activity has not been as rapid as might be desired, it has nevertheless been well distributed; foodstuffs, raw materials and manufactured articles all entered world trade in increased volume. The gain in foodstuffs was smallest, the total for the full year 1935 remaining below the level of 1932. The world stocks of primary commodities were sharply reduced in 1935 and the way was prepared for the recovery noted in 1936 in the prices of many agricultural products. Gradually this adjustment of supply to demand is being reflected in increased world trade.

International trade in agricultural products has been limited by the same factors that restrict world trade in general, but is also subject to particular problems of its own. During the war there was a vast expansion of agriculture outside Europe. Not only were new lands opened up but agricultural efficiency everywhere advanced. As agriculture recovered in Europe, the severity of competition with other areas geared to war-time capacity began to be felt and culminated in the creation of surplus stocks and in depressed prices.

This situation, coinciding with and aggravating the first stage of the world economic crisis, made adjustments necessary. The European countries, for economic, political, military and social reasons, were unwilling or unable to restrict their domestic agriculture and accept the cheaper produce of competing producers. By the erection of unprecedented barriers to trade and by government aid to domestic producers they were able to shift the main burden of adjustment upon the unsheltered agriculture of exporting countries.

In contrast to the steadily rising production of foodstuffs in the period 1925-1928, there was relative stability of production during the period 1929 to

1936, accompanied, however, by marked changes in geographical distribution. Many countries, including some large industrial areas, sought increasing self-sufficiency in agricultural production and in some cases have even reached an export basis. Wheat was the principal product affected, but rye, potatoes, milk, butter and meat were also included. This is brought out clearly in the accompanying table.

THE PRODUCTION OF CERTAIN FOODSTUFFS IN EUROPEAN COUNTRIES IN 1931-1935
AS PERCENTAGES OF PRODUCTION IN 1925-1929

| Countries | Wheat | Rye | Potatoes | Butter | Meat |
|-----------------------|-------|-----|----------|--------|------|
| Austria..... | 116 | 116 | 111 | ..... | 92 |
| Belgium..... | 103 | 98 | 106 | 105 | 104 |
| Czechoslovakia..... | 118 | 105 | 103 | 117 | 104 |
| Finland..... | 233 | 117 | 152 | 121 | 102 |
| France..... | 108 | 91 | 110 | 128 | 95 |
| Germany..... | 148 | 102 | 117 | 149 | 114 |
| Greece..... | 179 | 150 | 225 | ..... | 107 |
| Hungary..... | 94 | 93 | 86 | 190 | 95 |
| Irish Free State..... | 267 | 50 | 107 | ..... | 137 |
| Italy..... | 117 | 94 | 122 | ..... | 99 |
| Netherlands..... | 238 | 105 | 91 | 108 | 103 |
| Portugal..... | 179 | 109 | 203 | ..... | 116 |
| Roumania..... | 92 | 119 | 91 | ..... | 108 |
| Sweden..... | 156 | 86 | 108 | 136 | 134 |
| Switzerland..... | 118 | 88 | 107 | 176 | 112 |
| United Kingdom..... | 108 | 60 | 94 | ..... | 109 |
| U.S.S.R..... | 121 | 100 | 122 | ..... | 64 |

In the face of widespread increase in European production of "key" food products, the difficulties of the food-exporting countries would have been even greater if it had not been for the situation which developed in Russia and the United States. The development of the Russian five-year plan reduced the necessity of machinery imports formerly paid for with exports of agricultural products. Furthermore her great increase in gold production furnished adequate means of external payment. Hence, increased production of wheat could be consumed at home, and exports have been negligible since 1931. The decline in agricultural production in the United States, due partly to subsidized restriction and partly to drought, further relieved the situation, the United States even becoming, temporarily, a net importer of cereals.

The disappearance of accumulated stocks and the rise in prices of foodstuffs have been largely the result of bad weather in some leading exporting countries for several years in succession. In default either of fresh restrictions on production or of freer international trade, a return to more normal crop conditions may well cause renewed difficulties in the world market for such products as wheat. A factor in the world demand for foodstuffs which may become of increasing importance in future is a new emphasis in national public health policies on the provision of adequate and nutritive dietaries.

Prices and Exchange.—Relative stability in commodity price levels during the first half of 1936 was replaced by a moderate but very definite upturn in the second half. While commodities generally tended to be firmer the main strength of the movement came from grains and metals. Though foreign exchanges moved within narrow limits during the first eight months, almost constant strain upon the remaining gold currencies of France, Switzerland and the Netherlands made the exchange outlook very uncertain and constituted an unsettling factor to trade. The devaluation of the French

franc in September, with the co-operation of the United Kingdom and the United States, paved the way for a more satisfactory relationship between the value of leading currency units and for eventual return to stable exchanges.

Trade Barriers.—The failure of world trade to keep pace with internal recovery is largely due to increased tariffs, exchange control and a multitude of new devices for restricting trade, which have been a prominent feature of the commercial policy of many countries in the last six years. No general relaxation of trade restrictions is yet apparent. Nevertheless the outlook is brighter than a year ago. Adjustments are easier to effect when business is improving. The continuance of internal recovery and exchange stability have already made possible in Western Europe some slackening in the more rigid types of trade control.

At the same time a number of countries, including Canada and the United States, have steadily pursued the objective of freer trade and lower tariffs, which they are gradually realizing by means of trade agreements with countries sharing their outlook. The lower rates of duty resulting from such agreements are automatically and unconditionally granted to all other countries which do not discriminate against their trade. In this way tariff barriers are being gradually reduced and the area within which normal commercial relations can be carried on is being enlarged. This general policy will not produce very speedy or spectacular results but on its sustained and successful prosecution rests the best prospect in the long run for the increase of Canadian agricultural exports.

Hopes for the future of world trade depend on freedom from major political disturbances. Further, the lifting of tariff barriers is likely to be a gradual and possibly a very slow process. The urge toward national self-sufficiency was apparent even before the depression, and agricultural protection in Europe has been increasing, particularly since 1925. Producers operating under protection constitute vested interests which will strongly resist the removal of restrictions from which they have benefited.

Exports of Canadian Farm Products

In the fiscal year ending March 31, 1936, Canada's exports of commodities which in their original state are produced on Canadian farms, were valued at \$290,488,000. Of this amount \$194,434,000 represented raw materials, including foods. Corresponding figures for the fiscal year ending March 31, 1935, were \$262,435,000 and \$176,924,000 respectively.

By virtue of the trade agreement with the United States, Canada has enjoyed since January 1, 1936, concessions on a substantial list of farm products, ranging up to a 50% reduction in the former United States duty.

The bulk of Canada's exports of farm origin is shipped to the United Kingdom and the United States, the former taking about 64% and the latter about 21% of the total in the last fiscal year. The trend of economic conditions in these countries has therefore special significance with regard to the Canadian agricultural outlook.

Conditions in the United Kingdom

The United Kingdom in 1936 continued to enjoy the benefits of the recovery which has been developing since 1932. The Board of Trade Index of industrial production, on a 1930 base, stood at 121·7 in the third quarter of 1936 compared with 110·7 in the same period in 1935. Other important indicators such as retail sales, employment, and bank clearings show similar tendencies.

The expansion in business activity in the United Kingdom has been chiefly in industries producing for the home market and in the trades and services

dependent on these industries. Unemployment has been steadily reduced. Surplus inventories have long since been liquidated, and money has been relatively cheap and plentiful since 1933. There still remain the "depressed areas," the unemployment associated with them, and the other chronic maladjustments which in every country have been aggravated by post-war changes in world economy. Iron and steel production has exceeded the pre-1929 peak and has reached boom proportions. The wool textile industries have made steady recovery but the improvement in the cotton textile situation is distinctly less than in industry as a whole. Coal has lagged a long way behind general recovery. Typical examples of industries experiencing the full effects of the upturn in the business cycle are the building trades and the industries producing motor cars and electrical appliances. Generally speaking, the position of the export industries is the least satisfactory. Higher tariffs and restrictive quotas, particularly in continental countries, limit the expansion of the United Kingdom's export industries, and the surplus productive capacity in coal and cotton textiles has handicapped recovery in other industries and trades.

The United Kingdom remains the most important import market in the world and by far the largest purchaser of Canadian agricultural products. The assurance of free entry into the market and the opportunity for expanding sales in many lines give the Canadian producer a direct interest in the expansion of the United Kingdom's power to purchase imported goods. To strengthen and direct this growing demand for Canadian goods the Canadian Government is carrying on regional advertising campaigns, centred in the chief industrial areas in England, Scotland, and Wales.

Conditions in the United States

Economic recovery started later and is less advanced in the United States than in the United Kingdom. In addition to the usual factors which contribute to an upward movement in the trade cycle, such as the lowering of inventories during the depression and the eventual need to replenish them, the policies and expenditures of the Federal Government have stimulated business activity. Furthermore, there is now a considerable volume of private investment, and further gains in this direction are to be expected.

Certain abnormal factors influenced conditions in the United States during 1936. The drought seriously reduced the volume of farm production and led to special relief programs in the affected areas. It has been estimated that the total cash income of farmers in the autumn of 1936 will be substantially larger than in fall of 1935, but drought has reduced the real national income. The shortage of many farm products has stimulated a demand for imports. The payment of the veterans' bonus between June and July was another extraordinary factor which no doubt was partly responsible for the non-appearance of the "summer recession" at the expected time.

Probably the most convincing indication of recovery in 1936 has been the gain in industrial production, shown by the index published by the Federal Reserve Board. After a slight recession from the 1935 high of 101, the index increased and in October 1936, stood at 109.0 compared with the low point of 59.0 in July of 1932. The figures for employment and for departmental store sales provide further evidence of this trend. While the construction industry was more active in 1936 than in any recent year, it was still well below pre-depression levels.

Foreign trade during the first seven months of 1936 showed a small surplus of imports compared with a small favourable balance in this period in 1935 and a large favourable balance in 1934. This indicates a tendency more in keeping with the position of the United States as a creditor country.

GRAINS

Wheat

The surplus world wheat stocks have been greatly reduced since May, 1936, by reason of drought in North America and Russia and by a wet season in the normally deficit countries of western Europe. Ruling prices have risen with the decline in available supplies and now have been maintained for several months at the highest level since early in 1930. There is every likelihood that both world and Canadian wheat stocks will be back to normal levels or even lower at the end of the 1936-37 season. Not since the autumn of 1924 has there been so close an adjustment between world supplies and demand. Fundamentally, however, the world wheat acreage remains at such a level that normal growing weather would result in a return to conditions such as existed from 1929 to 1934 when surplus stocks rose with the decline in trade.

Because of the low yields in western Europe, Canada and the United States in 1936, present estimates of world wheat production, exclusive of Russia and China, point to a harvest that is reduced by about 88 million bushels or 2.5% under that of 1935. The regional distribution is such as to encourage a moderate increase in world trade, with significantly reduced yields in western European deficit countries and greater supplies particularly in the export areas of the Danube Basin and Argentina. Total European wheat production is placed at 90 million bushels under the 1935 figure, with an increase of 81 million bushels in the lower Danube Basin insufficient to offset a decrease of 171 million bushels over the remainder of Europe. The largest reductions are noted in Italy, Spain, France, Portugal, Czechoslovakia and the United Kingdom. Current estimates of the 1936 harvest in North America are about 38 million bushels under those of 1935. North African countries are 19 million bushels under the low level of 1935, while seven Asiatic countries show a total reduction of 36 million bushels. The first official estimate of the Argentine crop amounted to 249.8 million bushels, compared with the unusually low production of 139.6 million bushels in 1935. The current Australian crop is officially estimated at 133.5 million bushels, which is below the 1935 production of 142.6 million bushels. The Russian crop suffered from drought and is believed to be smaller than in 1935. The Chinese crop, on the contrary, is said to be well above that of 1935.

In 1935-36, Canadian exports of 254.4 million bushels formed nearly one-half of the "world" net exports—an unusually high percentage. As a result the carry-over in Canada was reduced during the crop year from 203.3 million bushels to 109.4 million bushels. "World" stocks in the same period fell from 885 to 730 million bushels. Considering this reduction of 155 million bushels in the world carry-over, and the decrease of 88 million bushels in the world crop in 1936, total supplies for 1936-37 are about 276 million bushels below the 1935-36 level and the lowest since 1926-27.

For the 1936-37 season, it is evident that there will not be the wide margin between world exportable supplies and probable import requirements which existed in increasing degree between 1929 and 1934. The recently increased continental European demand suggests total "world" import requirements for the crop year of 570 million bushels, or 50 million bushels over the record low movement of 520 million bushels in 1935-36. To meet this moderately increased demand, the only significant stocks available for the August-December period were found in Canada and the Danube Basin. These export areas have shipped

heavily during the past five months and with their exportable supplies reduced as a consequence, are not under the same necessity of meeting Southern Hemisphere prices during the peak period of their shipments starting in February.

An important factor in the outlook for the 1937-38 season is the possibility that next year's wheat crop in the United States may exceed that country's domestic requirements. The official estimate of the winter wheat area just seeded amounts to 57.2 million acres, which is considerably above the 47.5 million acres sown a year ago and is also well above the previous record of 51.4 million acres in 1918. A normal yield on this acreage would place the United States on an export basis. In the event that high yields do result in the United States, it is possible that governmental steps will be taken to handle the surplus. Any pressure of American supplies upon the export market, however, would be felt in the international price level, and would bring domestic wheat prices in the United States down to that level. These considerations are all conjectural at the present time because of the unknown weather conditions which will prevail between now and next summer.

In appraising the probable international trade in wheat and wheat flour during 1936-37, it appears unlikely that the full reduction in the wheat harvests of western Europe will be reflected in a proportionately higher wheat trade. Factors working against such an increase are several, including the continuation of a high degree of agricultural protectionism in the majority of European countries, and the scarcity of funds in these countries available for international purchases. From a long-time standpoint, the failure of the western European population to increase, accompanied by a decline in the per capita consumption of wheat, is contributing to the decreasing demand for wheat imports. The current situation is not altered significantly by the currency devaluation undertaken by France, Holland, Switzerland, Italy and other smaller countries. Wheat imports in these countries have now become more costly in terms of their new devalued currencies, the effect of which has only been partly offset by reductions in wheat import duties and other restrictions. Part of the low western European production this year is being taken care of by the utilization of carry-overs and the substitution of other grains.

Opposed to these basic factors which are working against a permanent increase in import demand, sheer necessity in the current season is compelling Italy, Germany and France to seek larger imports, because of the failure of their crops to meet domestic requirements. Provision for military needs and reserve stocks is also working in this direction. A reasonable estimate of world import requirements for the current crop year would range between 560 and 580 million bushels, with European requirements between 440 and 460 million bushels. This range allows for an increase of from 40 to 60 million bushels over the low world net imports in 1935-36.

In appraising the Canadian export position it is apparent that Canada's percentage of the world trade in 1936-37 will not be as high as in 1935-36 when Canadian wheat exports were 47.6% of the world total. Available Canadian supplies for export or carry-over this year (1936-37) are only 261 million bushels, compared with 379 million bushels in 1935-36. The Argentine crop, on the other hand, is approximately 110 million bushels greater than in 1935, with a corresponding increase in exportable supplies. From the Canadian supplies of 261 million bushels in Canadian and United States positions, an allowance of 45 to 60 million bushels should be made for the carry-over at July 31, 1937. This amount would provide for domestic requirements during August and September, 1937, for wheat remaining on farms and for scattered stocks in elevators. The remainder leaves from 200 to 215 million bushels available for export. Exports around this level would give Canada roughly 35% of the world trade for the crop year.

The indications are that world wheat stocks at the end of the crop year will be relatively low. The foregoing estimates of world production and trade in wheat indicate that the year-end stocks will be somewhere around 500 million bushels, or substantially below the 600 million bushel or "normal" level of the period 1922-28. However, world wheat utilization may be lower this year because of the likelihood that there will be less wheat used for feed on account of higher prices, and because the short western European crops may be reflected partly in reduced human consumption. It should be borne in mind, however, that the restoration of world stocks to a normal level is being brought about in a year when Australia and Argentina have had very low available supplies for export during the August-January period, and when both Russia and the United States are not on an export basis. As indicated above, normal weather conditions combined with the present level of acreage in the exporting countries and the European importing countries would result in a 1937 production in excess of world import requirements.

Durum Wheat

While the present price situation makes the production of Durum wheat appear unusually attractive, this is due chiefly to a shortage of supplies in the United States and western Europe, a condition which probably will be changed in 1937.

The 1936 area sown to Durum wheat in Canada was 1,756,000 acres which represents an increase of almost half a million acres over 1935. This increase in acreage, however, did not bring about a corresponding increase in production because of drought. The 1936 production of 18,846,000 bushels was barely one million bushels greater than that of the previous year.

In the United States, approximately eight million bushels of Durum wheat were harvested which amount, when added to the low carry-over of approximately seven million bushels, gives a total supply of only 15 million bushels compared with 29 million bushels in 1935-36. This shortage in supply has been aggravated further by poor quality, much of the wheat being practically unfit for semolina.

In the large producing areas of the western Mediterranean, the Durum crop was much lower in 1936 with the total production in Spain, Portugal, Italy, French Morocco, Algeria and Tunisia amounting to only 112.4 million bushels. This is 31.8 million bushels lower than the crop in 1935, and 57.2 million bushels lower than that of 1934. It is quite evident, therefore, that world supplies of Durum are short.

With supplies in the United States suitable for milling purposes below domestic requirements, Canadian exports to that country during this season have been brisk and, for this reason chiefly, Durum wheat prices have been holding very substantial premiums over the bread-flour types. As a matter of fact, there has been an unusual demand for Durum lately and prices have advanced rapidly. It should be pointed out, however, that, if the relatively high prices of Durum wheat this year are maintained until seeding time, a higher acreage in the United States in 1937 will probably result. It should also be kept in mind that the United States can quite easily produce enough to meet domestic requirements. In that event, the import demand for Canadian Durum would likely diminish since it is chiefly in years of low production in the United States that Canadian prices have been carried to a substantial premium over bread-flour type.

Fall Wheat

The sown area of the 1935-36 fall wheat crop amounted to 585,000 acres. Winter abandonment reduced the harvested area in 1936 to 509,300 acres. These figures may be compared with 685,000 acres sown in the autumn of 1934, and because of relatively greater abandonment, 555,100 acres harvested in 1935. A slight increase in the average yield per acre tended to offset the lower 1936 harvested acreage, so that total production in 1936 amounted to 12,070,000 bushels, as compared with 12,601,000 bushels in 1935. The quality of the grain threshed this year was much better than that of a year ago, while prices have also been more encouraging. The area sown to fall wheat last autumn is 702,000 acres, while the condition of the crop as on October 31, 1936, is given as 107 per cent of the long time average compared with 85 per cent at the same time in 1935.

Oats

A survey of the present situation in the coarse grains market suggests that the oat acreage in 1937 might well be increased.

The 1936 area sown to oats was estimated at 13,118,400 acres, a decrease of almost a million acres from the area sown in 1935. This decrease in area together with the presence of drought in the Prairie Provinces and in parts of Ontario reduced the total yield of oats in Canada to 276.3 million bushels, compared with 394.3 million bushels in 1935. Exports of oats and oat products during the first four months of the present crop year were only 3,928,947 bushels, a decline of 44.5 per cent from the exports for the same period in 1935.

Although the carry-over of 40.4 million bushels on August 1, 1936, was approximately 14,000,000 bushels more than that of the previous year, this will help very little in offsetting the decrease in production or in alleviating the shortage. While this situation may strengthen oat prices and stimulate greater interest in oats, the relatively higher prices paid for barley this year are likely to make the latter crop more attractive. However, from the standpoint of good farm management, it would seem desirable that a more equitable balance be maintained as between the acreage devoted to these two staple cereals.

Barley

While the factors which placed barley in a rather favourable position in 1936 may not obtain to the same degree in 1937, it appears desirable that barley acreage be well maintained.

Barley occupied 4,432,500 acres in 1936 as compared with 3,886,800 acres in 1935 and yielded 72,726,000 bushels. This represents a reduction of 11.2 million bushels below the output of 1935 due to a lower yield per acre. Barley exports during the first four months of the current crop year totalled 11,850,536 bushels as compared with 2,749,841 bushels for the same period in 1935. The United States crop of 1936 was much below that of the preceding year, both in acreage and in yield per acre. This situation accounts to a very large extent for the substantial increase in Canadian barley exports most of which went to the United States.

The reduced production and quality of barley, both in Canada and the United States, in 1936 have brought the malting qualities particularly into competitive demand and have resulted in unusually high premiums being paid for this grade. The effect of this may be to encourage a substantial increase

in the barley acreage in 1937. While this together with a somewhat reduced live stock population in prospect for 1937 would seem to indicate the possibility of lower returns from barley production, the uncertainty in connection with the future wheat situation will suggest to many farmers the desirability of maintaining barley acreages at a reasonably high level.

Flaxseed

In view of an expected increase in the amount of building construction which provides the chief industrial outlet for flax, a moderate increase over the 1936 production will probably be disposed of satisfactorily.

The 1936 acreage devoted to flaxseed, exclusive of fibre types, was more than double that of 1935 although the total production was only 20% greater, namely, 1,779,300 bushels, compared with 1,471,600 bushels in 1935. The decline in the flax acreage from 1931 to 1935 was thus arrested in 1936.

The apparent consumption of flaxseed in Canada for the year 1935-36 was 2,379,892 bushels of which nearly 1,000,000 bushels were imported. This consumption, which represents an increase over the preceding year of over 400,000 bushels, was due presumably to an improvement in the building trade and this trend, it is expected, will continue during the coming season.

Rye

Available supplies of rye for the 1936-37 season were about equal to those of the previous year. A large increase in United States imports has already materially reduced this supply. An increase of 17.2% in the acreage of fall rye in the United States has been reported for the 1936-37 crop year. This may affect exports to that country in the 1937-38 season. Fall rye sowings which account for 75% of the total acreage in Canada, were 4% less in the fall of 1936 as compared with the 1935 plantings.

The 1936 Canadian rye crop of 4.4 million bushels was less than half of the 1935 production, and about one-third of the average production during the period 1925 to 1929. The area of 635,000 acres in 1936 was 12% less than that of 1935, and was the smallest rye acreage in Canada since 1918.

At the beginning of the 1936-37 crop season stocks of rye in Canada were 9.8 million bushels compared with 5.6 million bushels at the beginning of the previous season. For the 1935-36 marketing year, rye exports were more than double those of the previous year. The United Kingdom tripled its imports of Canadian rye.

The exports of rye during the four-month period, August-November, 1936 were 1,981,106 bushels compared with 152,073 for the same period in 1935. The major part of this increase was attributable to increased importation by the United States, where the 1936 production was only 27.1 million bushels compared with 58.9 million bushels in 1935, and an average of 31.3 million bushels from 1930 to 1934. However, the sowings of rye in the fall of 1936 in the United States were 17.2% greater than in the previous year. The amount of rye used by the distilling industry in Canada in 1935 was less than 10% of the amount used in 1930. While it is not expected that utilization will be restored to the 1930 levels for some time, a moderate increase may be expected as business conditions improve.

Fall rye sowings in Canada in 1936 were estimated at 464,000 acres, a decrease of 4% from 1935. Fall rye accounts for 75% of the total rye acreage.

SEED

Seed Grain

Seed grain supply in the Prairie Provinces for 1937 is regarded as adequate provided that steps are immediately taken to distribute surplus seed from areas of plenty to areas of shortage. Large sections of southern, central and eastern Alberta, southern and west-central Saskatchewan, and southwestern Manitoba will require seed which can be obtained in the central and northern sections of these provinces. Immediate attention should be given this matter, however, so as to secure the best quality of grain for seed before it is lost in the commercial grain trade.

British Columbia and eastern Canada should have an ample supply of grain for 1937 seeding. A few counties of southwestern Ontario suffered an oat failure from heat and drought, and the oat crop in northeastern Quebec was damaged by frost and excessive moisture. However, sufficient seed oats can be obtained for these areas elsewhere in Ontario and in Quebec.

The use of registered and certified seed grain wherever possible is of extreme importance, particularly in the Prairie Provinces. Canada's export trade in grain depends largely on maintaining quality through the use of pure seed of approved varieties. The advance in grain prices since 1935 should stimulate greatly the demand for registered and certified seed grain of which there is a fair supply this year.

Wheat.—The northern parts of the three prairie provinces for the most part harvested fair crops of wheat in 1936 from which seed supplies can be obtained for distribution to areas where crop failures occurred. Estimates of seed wheat requirements where shortages exist are as follows: Manitoba, 30,000 bushels; Saskatchewan, 2 million bushels; Alberta, 500,000 bushels. In addition to the supply of commercial wheat available for seed there are also some 600,000 bushels of registered and certified seed wheat in the Prairie Provinces produced from inspected crops in 1936 as well as large quantities of verified seed stored in separate bins. The continued production and distribution of this pure seed should be encouraged in the interest of maintaining and improving the quality of Canada's commercial wheat for export. In Manitoba and Saskatchewan where rust occurs this would apply particularly to rust resistant varieties.

Oats.—The 1936 oat crop in the Prairie Provinces was seriously reduced by drought so that large areas suffered a crop failure. Fortunately in the Peace River and Edmonton districts, in parts of eastern Saskatchewan and in northern Manitoba, there are ample supplies of seed oats available for moving to the crop failure districts. The estimated requirements of the crop failure districts are as follows: Alberta, 1.5 million bushels; Saskatchewan, 2 million bushels; and Manitoba, 300,000 bushels. While ample supplies of commercial seed oats are available if obtained promptly, that is before they are absorbed in the grain trade, there are also some 600,000 bushels of registered and certified grades of oats. These oats from inspected crops should be in good demand next spring at premium prices over commercial grades. Other parts of Canada would seem to have an ample supply of oats for seeding next spring, although some local distribution may be necessary in central and western Ontario and eastern Quebec. Growers of registered and certified grades of seed oats are usually able to sell their product at a premium price over ordinary oats, for milling purposes as well as for seed, so that the production of such oats is usually well worth while.

Barley.—Drought took its toll of the 1936 barley crop in the western provinces. Crop failure resulted over large areas. Seed barley requirements for 1937 in the crop failure districts are estimated at 165,000 bushels in Manitoba; 80,000 bushels in Saskatchewan, and 140,000 bushels in Alberta. Supplies of seed barley are available however in Alberta, north of the Edmonton line and in the Peace River district; also in central and northeastern Saskatchewan and in central and northwestern Manitoba. The 1936 production of registered and certified grades of seed barley in the Prairie Provinces approximated 100,000 bushels and should be in good demand as seed for barley production in 1937. An average crop of barley was harvested in eastern Canada and in British Columbia in 1936 resulting in a sufficient supply of seed, provided, of course, that the maltsters and exporters do not deplete the supply before seeding time. The demand for barley of malting quality has been unusually strong this season and because of this farmers throughout Canada are advised to secure their barley seed early for 1937 seeding.

Rye.—The production of rye decreased in the Prairie Provinces in 1936 due mainly to drought and to cutting for feed in the drought areas where it is mostly grown. Farmers should obtain their rye seed as soon as possible as this grain is usually marketed early and is sometimes difficult to obtain late in the season.

Corn.—The 1936 crop of husking corn in southwestern Ontario where its production in Canada is largely confined, is estimated at 5,935,000 bushels as against 7,765,000 bushels in 1935. Of this amount in 1936 about 3 million bushels are suitable for seed purposes. On the whole, the crop matured in the field better than usual, so that its quality should run comparatively high, providing an abundance of suitable seed for ensilage production elsewhere in Canada. Some of the crop will have a high moisture content and any lots purchased should be tested for germination.

Clover, Alfalfa and Grass Seeds

Generally the crop of these seeds in Canada in 1936 was smaller than in 1935. Drought and low prices in the previous year were the principal causes. Of the essential forage crop seeds red clover is in lowest supply but current offerings from England, New Zealand and elsewhere promise to make up any deficiency. Prices of most of these seeds have advanced substantially this season due mainly to the export demand for shipment to the United States where drought was prevalent in 1936 over large areas. Recent trade agreements with the United States and some other countries have improved Canada's position to export surplus forage crop seeds and the Empire Preference in the British market continues to be of real benefit to the Canadian seed industry. On the other hand, low quality seed is not suitable for export and growers usually take a loss in its marketing. Weedy fields should not be cut for seed and proper harvesting methods should be practised in order to maintain colour and brightness.

Red Clover.—The 1936 production of red clover seed in Canada is estimated at 1.9 million pounds as against 4.5 million pounds in 1935. The principal provinces of production were Ontario, Quebec and British Columbia. The carry-over from last season was estimated at 700,000 pounds, which, when added to the new crop would total 2.6 million pounds of seed available for 1937. The normal annual consumption approximates 4 million pounds so that a shortage for 1937 seeding would seem likely unless some supply is imported. Red clover seed should be imported only from northern countries so as to produce

crops that will stand the rigorous Canadian climate. The production of red clover seed in Canada varies with the season, but it is usually a profitable undertaking when the seed is of good quality. The domestic seed usually commands a premium of a few cents a pound over the imported varieties. The average price of domestic seed to growers during the past five years was about 17 cents per pound for No. 1 grade.

Alfalfa.—The 1936 production of alfalfa seed in Canada is estimated at 2.1 million pounds as against 1.1 million pounds in 1935. About 65% of this seed was grown in Ontario and substantial quantities in Manitoba, Saskatchewan, Alberta and British Columbia. As the normal annual consumption of alfalfa seed in Canada is about 2 million pounds the supply now available provides little surplus over domestic requirements. A strong demand has developed already for Canadian alfalfa seed in the United States following the reduction of the import duty into that country, which came into effect at the beginning of 1936. Northern grown alfalfa seed of hardy strains suitable for Canadian climatic conditions is not available in other countries for importing as in the case of red clover. In the circumstances, farmers should obtain their alfalfa seed supply early. As alfalfa is perhaps the most popular forage crop grown in Canada, the production of its seed may be increased with the expectation of its being readily marketed. Prices being paid to growers in 1936 are ranging 15 to 23 cents per pound according to grade and the average price during the past five years has been about 16 cents per pound for No. 1 grade.

Alsike.—Alsike seed production in 1936 increased greatly over that of 1935. Ontario harvested more than 5 million pounds out of a total Canadian production of 5.4 million pounds as against 950,000 pounds in 1935. The annual domestic requirements for this seed are estimated at 1.5 million pounds so that a large surplus was produced for export. A large part of the crop has already been exported to the United States, Great Britain and other countries. The average price to growers during the past five years was about 12 cents per pound for No. 1 grade. Off quality alsike seed is endangering the export market. Alsike promises to continue as a satisfactory cash crop to those growers who will make the effort to produce clean and good quality seed.

Sweet Clover.—The 1936 production of sweet clover seed in Canada was smaller than in 1935, caused mainly by drought and the low prices of 1935. Approximately 3 million pounds were produced as compared with 3.75 million pounds in 1935 and 4 million pounds in 1934. The carry-over to this season was negligible. The annual normal domestic consumption is estimated at 3 million pounds so that the supply available scarcely will meet domestic requirements. Ontario was the main producing province in 1936 with Manitoba producing almost as much while Saskatchewan and Alberta also grew substantial quantities. This season, a demand for this seed has developed for export to the United States. Ordinarily, there is no large export outlet for sweet clover seed so that in favourable years it is easily over-produced with resultant low prices. The average price to growers during the past five years has been about 3 cents per pound for No. 1 grade. Owing to the small crop and the export demand that has developed this season, growers are receiving as much as 7 cents per pound.

Timothy.—Some 6.2 million pounds of timothy seed were produced in Canada in 1936 as compared with about 12 million pounds in 1935 and 5 million pounds in 1934. Ontario was the largest producer with Quebec coming next, followed by British Columbia. The timothy seed crop in Alberta was small as a result of drought. The carry-over of timothy seed from last year is estimated at about 4 million pounds which when added to the 6.2 million pounds of the

new crop should provide ample seed for domestic requirements next spring. The normal annual consumption of timothy seed in Canada approximates 10 million pounds. Only a few years ago most of the timothy seed used in Canada was imported so that a continued production of this seed to the extent of normal domestic consumption would seem warranted. Growers have received an average price of about 7 cents per pound for No. 1 grade during the last five years and the price this season has been about the same.

Brome, Western Rye Grass and Crested Wheat Grass.—The production of brome and western rye grass seed in the Prairie Provinces was greatly decreased in 1936. Some 810,000 pounds of brome seed was harvested as compared with 3.2 million pounds in 1935. This reduction was due largely to drought and the cutting of more fields for hay than usual. The supply of seed for 1937 is therefore limited and if exports to the United States continue in large proportions a real shortage may result. For similar reasons the production of western rye grass declined also, the 1936 production being estimated at 45,000 pounds compared with 200,000 pounds in 1935. Brome grass is a popular forage crop in the Prairie Provinces so that this seed finds a ready market. Prices paid growers for the 1936 crop of both brome and western rye grass seed are much higher than in 1935. Crested wheat grass seed production is increasing in the Prairie Provinces. Some 650,000 pounds of seed were produced in 1936 as against 280,000 pounds in 1935. Despite this greater production the price to growers has remained satisfactory ranging from 20 to 30 cents per pound according to grade. Crested wheat grass is highly regarded as a dependable hay crop in the dry areas of the Prairies and the production of its seed should be encouraged. The demand for export to the United States of the current crop has been strong.

Other Grasses.—The 1936 crop of Canada blue grass (*Poa compressa*) in southwestern Ontario was abnormally small as a result of the extreme heat and drought of last summer. The total yield is estimated at 90,000 pounds as compared with 150,000 pounds in 1935. There was a carry-over by the domestic trade amounting to some 35,000 pounds so that altogether about 125,000 pounds of seed are now available. Prices being paid growers for new crop seed are about double those paid in 1935 or 8 cents per pound for No. 1 grade.

The year's production of bent grass seeds in the Maritime Provinces was about the same as in 1935, amounting to approximately 12,000 pounds of brown top or Colonial bent (*Agrostis tenuis*) and 3,000 pounds of creeping bent (*Agrostis stolonifera*) and also a small quantity of velvet mixed bent (*Agrostis Canina*). These fine turf grass seeds should continue to meet a ready demand in the domestic market although competition is keen with seed from New Zealand and elsewhere.

Field Root, Garden Vegetable and Flower Seeds.—The production of these seeds in Canada is still on a small scale. They are being grown to a limited extent in British Columbia, Manitoba, Ontario and Nova Scotia. Imports into Canada in 1936 were valued at \$581,330 and in 1935 at \$636,334 and came mostly from the United States and European countries where the industry has been long established. The growing of such seed requires special care and skill in maintaining the high quality that will compete favourably with the seed from other countries. Distribution in Canada is mainly through the seed houses which obtain their supplies mostly through contracts with wholesale houses and growers in the United States, Great Britain and elsewhere, the contracts being arranged a year or so previous to the delivery of the seed. This practice naturally makes it difficult to sell domestic seed. The growing of these seeds should be undertaken only by those specially qualified.

THE FEED SITUATION

Feed supplies for 1936-37 are very unevenly distributed. Severe drought conditions over large sections of the Prairie Provinces in 1936 combined with grasshoppers in Alberta, have resulted in a feed shortage of serious proportions in these areas. On account of hot dry weather in midsummer, feed supplies in south-central and southwestern Ontario are below the minimum requirements, Essex and Kent counties excepted. Quebec and the Maritime Provinces on the other hand, produced excellent crops of both grain and hay, with a considerable surplus of the latter. The feed situation in British Columbia is much better than usual. Supplies are adequate in eastern Ontario, and in those sections of the Prairie Provinces outside the drought area. Except in central and western Ontario, pastures in Eastern Canada were good throughout the summer and into the late fall. The same is true of British Columbia. Range pastures in southern Saskatchewan and Alberta, however, have become seriously depleted.

The production of fodder corn for Canada was less than that of 1935 by 23.5% and 3.5% below the five-year average, 1930-34. Field roots yielded more than last year by 7.8% and were 3.2% more than an average crop. The alfalfa crop was slightly larger than last year, exceeding the average in total yield by 26.5%. Feed grain production was only 75% of that in 1935 and 81.3% of the five-year average. Corresponding figures of production in relation to grain consuming animal units are 73.8 and 80.7. Year end stocks at July 31, 1936, however, were 151.3% of the preceding year but only 81.2% of the five-year average. Increased imports of corn to supplement domestic supplies have been necessary. Feed prices rose sharply from an index of 62.2 in June, 1936, to 90.3 in October. The corresponding figures for 1935 were 76.6 and 64.4.

Maritime Provinces.—Climatic conditions for crop production in the Maritime Provinces were especially favourable during 1936, with the result that excellent crops of hay, coarse grains and field roots were harvested. Farmers are better supplied with feed than has been the case for a number of years, and a smaller importation of concentrates than usual will be necessary. The yield of hay was over 33.3% greater than that of 1935 and 14.4% greater than the five-year average, 1930-1934. There is a considerable surplus of grass and clover hay in each of the Maritime Provinces. The acreage of grasses, clover and alfalfa, seeded in 1936, was about normal, and the fall condition of these new seedlings, together with an abundance of fall moisture, promises well for a good crop in 1937.

The yield of coarse grains exceeded that of last year by 20.6% and that of the five-year average by 7.7%. The corresponding figures for field roots were 28.4 and 23.4% respectively. Pastures were satisfactory throughout the season, and live stock entered the winter in good condition.

Quebec.—In general, the feed situation in the province of Quebec is better than it has been for several years. Yields of hay were decidedly above average. Clover escaped serious injury during the previous winter, and the hay produced in 1936 was, on the whole, of much better feeding value than that grown for several years. There was some carry-over of hay from the season of 1935-36, and with the heavy crop in 1936 it is estimated that the carry-over into 1936-37 will be substantial. The estimated production of hay in 1936 was 111.4% of 1935 and 109.3% of the five-year average.

The production of coarse grains in Quebec was 109% of 1935 and 104.1% of the five-year average. The yield of coarse grains was especially good in the Eastern Townships, but in the St. Lawrence Valley below Quebec and in the northern districts cereal crops were late and badly damaged by frost.

The production of field roots for the province as a whole was 102.8% of 1935 and 84.8% of the five-year average. In the Eastern Townships the yield was better than in 1935 but below the five-year average. Fodder corn production in 1936 for the province was 80.8% of 1935 and 83.2% of the five-year average. Pastures were especially good throughout the whole season and very little supplementary fall feeding was necessary.

Ontario.—The feed situation for Ontario is less favourable than at the beginning of 1936. Production of grass and clover hay in 1936 was only 86.1% of 1935, and 96.6% of the five-year average. The corresponding figures for alfalfa hay are 100 and 123.4; corn fodder 81.4 and 98.3; coarse grains 82.3 and 88.6, husking corn 76.5 and 105.1 and field roots 104.5 and 103.8. These estimates of crop production for the province as a whole, however, do not indicate the great variation which occurred in 1936 in production of crops between different sections of the province and even between relatively small districts within each section.

In the central and southwestern portions of the province, exclusive of Essex and Kent, hot dry weather in July and August, and a widespread outbreak of white grubs, played havoc with the crops of spring grain and hay. The drought was most severely felt in sixteen or seventeen counties adjoining Lake Ontario and the eastern portion of Lake Erie. Second crop hay yields in this area were greatly reduced and also the production of coarse grains. Large areas of new seedings of grass, clover and alfalfa were so badly injured by drought that they had to be ploughed up, and the remaining acreage in this section was spotty and considerably below average in appearance. Failure of the pastures made it necessary to maintain the live stock on feed reserves at that time.

After September 1, however, cool moist weather altered the picture very materially. Pastures showed marked improvement and a long open fall made it possible to conserve feed supplies. Late crops benefited, especially field roots which yielded somewhat more than in 1935. The yield of husking corn and corn for fodder was fair, but less than in 1935. Many counties in the dry section of Ontario are short of grain, and considerable quantities of grain are being purchased in order to maintain dairy production. However, most of them will probably be able to get through the winter on their supplies of roughage.

Although the major portion of the province suffered more or less from drought, better than average crops of hay and coarse grains were harvested in the eastern counties. In various agricultural districts of northern Ontario, on the other hand, feed crops were below average, owing to the late spring, dry summer, and damage by cutworms. These conditions have had a detrimental effect also on new seedings, which may produce disappointing crops in 1937. While the supply of hay and roughage in northern districts is probably sufficient to take care of the live stock requirements, the crop of coarse gains was markedly inferior in some districts. It is unlikely, however, that grain will be purchased to any extent.

It is estimated that 12,000 acres were planted to soybeans in 1936, an increase of 2,000 to 3,000 acres over that of 1935. The production of this crop at present is limited largely to western Ontario. Because of the growing appreciation of the soybean as a home-grown high protein feed, expansion of the acreage in 1937 would appear to be justified. A considerable proportion of the crop is utilized each year by local mills in the manufacture of oil and soybean meal. If the existing mills operate to capacity, the domestic supply of beans will be inadequate.

Manitoba.—With the exception of the driest areas, along the international boundary and in the southwestern corner of Manitoba, it appears that there will be ample roughage for live stock, but there will be a shortage of coarse grains. In a few localities there is a substantial surplus of hay over local requirements. It is expected that some of this will find a market in the United States and in southwestern Saskatchewan.

Throughout western Manitoba, there have been many failures to establish stands of the grasses. Owing to exceptionally high temperatures in midsummer, seedlings were killed before they became well rooted. Although there was a larger acreage than usual of grasses and legumes seeded in 1936, it is probable that poor establishment will have a detrimental effect upon the hay crop in 1937. Where stands of grasses, sweet clover and alfalfa were obtained, the new seedings are in fair condition. Sweet clover in particular has made a fairly satisfactory growth. Pastures which were badly dried out early in the season recovered appreciably during the fall months.

Estimates of hay production in 1936, as compared with last year and the five year average, are 51.9 and 79.2% respectively. Corresponding figures for coarse grains are 73.8 and 70.7% and for fodder corn 34.6 and 119.8%.

The extreme drought which afflicted the Prairie Provinces in 1936 was felt in Manitoba most severely across the southwestern corner of the province, and eastward to Emerson along the southern tier of municipalities. In that area, the hay crop and coarse grains were almost a complete failure. North of this area, including all of central and western Manitoba, the drought was sufficiently pronounced to affect the yield and quality of oats and barley very adversely. There were very few good fields of oats in this area; barley was a very poor crop, and the seed of both was light and shrunken. Hay, on the other hand, was an average crop, this being materially aided by rains early in June. Supplies of roughage were augmented by volunteer crops of sweet clover which were notably conspicuous in 1936, even in the areas of most severe drought. Important additions to the feed reserves were obtained from corn, especially in the southern part of the Red River Valley.

Saskatchewan.—Owing to the continued drought throughout the growing season, it became apparent in July that feed shortages would exist over an extensive area in southern and western Saskatchewan. The provincial government took steps to encourage farmers, whose crops showed little promise of producing any threshed grain, to cut their fields for fodder and in this way to relieve the situation to some extent. Late scattered rains benefited feed supplies in some areas.

Nevertheless, feed supplies are insufficient to meet winter requirements over a large portion of the southern and western sections of the province, the situation being most acute in the extreme southwest, and along the international and Alberta boundaries. The average yields of feed grain crops were very light in these areas, ranging from a few moderate yields on well prepared and better quality lands to complete failures elsewhere. Governmental policies directed at liquidating surplus live stock were put into effect to assist in relieving the demands on feed supplies. While the extent to which fodder and feed grain for winter will have to be supplied will depend to a large extent on the severity of the winter, it is evident that a considerable amount of hay and roughage will have to be provided in about 125 rural municipalities, and grain for winter feed in possibly 155 rural municipalities, in the area described. It is believed that there is sufficient hay and coarse grains in other parts of the province to meet the needs of the drought areas, especially in view of the fact that there has been a substantial movement of cattle from these areas to feed lots elsewhere and to packing plants.

Elsewhere in the province, supplies of feed harvested from the 1936 crop were variable. The feed situation in northwestern Saskatchewan is the most unsatisfactory in the history of that part of the country. Heat, drought, and to some extent grasshoppers, were responsible for low yields of grains with little straw. Much of the oat crop was cut with the mower for feed and very little grass hay was harvested. Pastures in this area were brown and dry in the fall of the year, except in the area north of township 40 where early fall rains produced new growth on grasslands and stubble fields. Live stock in that area entered the winter in fair condition and sufficient roughage probably will be found to carry the animals through the winter.

In north-central and northeastern Saskatchewan, the yield of crops varied considerably. Both hay and coarse grains on the whole were considerably below average. Straw was more plentiful than in the preceding year, and this, together with wild hay, will constitute the chief sources of feed during the winter of 1936-37. Pastures were reasonably good considering the dry conditions. There is sufficient food for live stock but practically no surplus.

South of the Qu'Appelle Valley in eastern Saskatchewan, hay yields for 1936 were substantially lower than in 1935. Barley, in most cases, was disappointing in yield, and oats very much below normal. While feed supplies should be ample to meet all winter requirements in this area, the outlook at the close of the year for a carry-over into 1937 is not promising. Owing to lack of moisture and unusually high temperatures, the establishment of new seedlings was very poor, making prospects for the 1937 crop of hay somewhat doubtful.

Weather conditions in east-central Saskatchewan, north of the Qu'Appelle Valley, were undoubtedly the best in the province and excellent yields of both hay and grain were harvested. This section of the province produced a surplus of hay and grain during the 1936 season, part of which will undoubtedly be purchased for feed relief in the drought areas.

For the province as a whole, the estimated production of tame hay, compared with last year and the five-year average, was 116.9 and 99.3% respectively. The corresponding figures for coarse grains are 52.9 and 72.0%. It should be pointed out that the figures for tame hay do not include the relatively larger amounts of grain hay and wild hay usually harvested in Saskatchewan.

Alberta.—The drought area in Alberta in 1936 was roughly that part of the province lying south of a line from Lloydminster to Calgary, and west to the British Columbia boundary. This area will require a large amount of feed grain and roughage. The feed grain scarcity is probably more acute than the fodder situation for in many districts some roughage has been put up, whereas feed grain crops were a total failure in many cases, due to drought, grasshoppers and cutworms, and such crops as were harvested yielded very poorly.

A consideration of the drought area by districts shows that a strip from the main line of the Canadian Pacific Railway north to Lloydminster along the Saskatchewan boundary as far west as range 15, has produced a considerable quantity of roughage. There are large tracts of vacant land in this part of Alberta from which farmers have endeavoured to gather all the feed possible. The feed grain crop, however, was practically a failure. In the district south and west of Calgary, extending from Lethbridge through to Pincher Creek, very little hay or roughage was harvested, and the yields of feed grain were low. It is expected that this area will require the largest quantities of feed because of the greater live stock population. From Calgary to Drumheller feed grain is quite scarce, although it is expected that the supply of roughage will be adequate.

The amount of feed that will be shipped into the drought area in Alberta was estimated at the end of October 1936 at about 2 million bushels of feed grain and 30,000 tons of hay. There will doubtless be a large quantity of oat straw moved as well. Figures given may be altered very greatly by the severity of the winter, and by numbers of live stock moved to winter feeding grounds or to packing plants, under the Dominion-Provincial arrangement for the movement of cattle.

The higher prices obtaining for grain in 1936 will increase the demand for hay and roughage. At the middle of October wild hay was available at \$8 per ton, baled on cars, compared with \$7 per ton last year. Oat straw was selling for \$4 per ton on the same basis. It may be said also that farmers in the drought areas have made a more determined effort than usual to meet their feed requirements by utilizing Russian thistles and other types of waste herbage. These factors will undoubtedly decrease the quantity of feed grain that will be needed.

A survey of the central and northern areas of the province to determine surplus stocks of feed available, indicates that there will be sufficient to meet the requirements of the drought area, provided the winter is normal. Approximately 30,000 tons of hay can readily be obtained, and an unlimited quantity of straw, particularly if the Peace River District is included. The coarse grain districts of Alberta have not yielded well, but the supplies of feed oats and barley would appear to be adequate for feed relief.

In the Peace River District of Alberta, an average hay crop was harvested, but less than in 1935. Although there was some carry-over from 1935-36 season, stocks at the close of 1936 were not excessive. Because of the good quality of feed grain which was harvested in 1936, and the existing high prices, nearly all of the oat crop was threshed. Large quantities of straw could be made available for the drier areas if required. Pastures were reasonably good throughout the season until mid-September, when heavy frosts made supplementary feeding of cattle necessary.

In the province of Alberta, as a whole, the estimated production of grass and clover hay, compared with 1935 and the five-year average was 91.2 and 106.0%. The corresponding figures for alfalfa were 98.2 and 128.7% and for coarse grains 71.3 and 68.6%. It should be pointed out that the figures for tame hay do not include the relatively larger amounts of grain hay and wild hay usually harvested in Alberta.

Range Conditions in Alberta and Saskatchewan.—The feed situation over the ranching sections in southwestern Saskatchewan and southeastern Alberta are more serious than they have been for some time. Range grasses made a good start in the early part of the summer, but the extremely hot and dry weather from the end of June checked further growth. In addition to this, practically all feed reserves were used up during the severe winter of 1935-36. Many stockmen used up reserves of feed accumulated over a period of ten years and were unable to renew their supplies in 1936 because the feed crop was 50% below normal.

The ranges in Alberta and Saskatchewan are badly depleted because of prolonged drought and lack of feed reserves and there is very little carry-over of grass in the event of another abnormally dry year occurring in 1937. Even abundant rain could not do more than restore a normal carrying capacity. Unless good rains occur in 1937, animals will have to be moved to other areas. In the foothills area of Alberta, west of Lethbridge, ranges were severely injured by grasshoppers and were seriously overgrazed. The open fall has relieved the situation in these areas.

While stockmen fully realize the seriousness of the situation, and while there has been increased marketing of cattle from these areas, the ranges are still over-stocked. On irrigated farms, there was fortunately, a satisfactory production of forage. This is being taken advantage of in some cases by moving range cattle to irrigated farms, in order to utilize the alfalfa, stubble pasture, straw piles and beet tops.

British Columbia.—In British Columbia generally, the feed situation is better than it has been during the past six years. Favourable weather for crops prevailed in practically all districts of the province, and the long, open autumn season facilitated harvesting, kept the late crops growing and provided excellent grazing conditions. Fall sown grain and permanent meadows are in such condition that very good crops may be expected in 1937. The production of grass and clover hay, as compared with 1935 and the five-year average, was 107·1 and 110·1%. The corresponding figures for alfalfa are 105·8 and 131·5% and for coarse grains 108·7 and 124·4%.

In central British Columbia, haying and harvesting conditions were ideal. There was adequate precipitation for crop growth and good pastures. The area as a whole is well supplied with feed, with a considerable surplus of timothy and clover hay in some districts, notably that of Prince George, where several hundred tons are available. There is a surplus of hay also in the Shuswap Lake District.

Range pastures in central British Columbia suffered somewhat from a dry spell in April and early May, but made excellent growth in late May, June, and July. August was dry but rains came in September and produced an unusually good fall growth on the ranges. As a result, live stock did well all summer and are in particularly good shape. The hay crop for the 1936 season was good. Coarse grains also yielded well under irrigation. Practically all ranchers and farmers in the area under consideration are well supplied with winter feed.

Reports from the Peace River block in British Columbia indicate that there is ample feed in that district for all live stock requirements. In the Fraser River Valley there are normal supplies of winter feed. Pasture conditions during the fall were very favourable and a good crop of coarse grains was harvested. Hay is plentiful but high in price in sympathy with the high price of grain. Yields of roots and corn fodder were considerably better than average.

Vancouver Island had one of the best crops for many years. The hay crop was more than double that of 1935, oats and silage crops yielded well. It is estimated that there will be sufficient hay and roughage on the Island for local requirements. Pastures were better than usual during the season.

LIVE STOCK

Beef Cattle

The beef cattle market stood up remarkably well during the closing months of 1936, under heavy supplies. Demand conditions have been favourable to the extent that any marked curtailment of volume has been followed by an upward reaction to the market. Conditions which aided the beef cattle market in 1936 should again be in effect in 1937. Favourable features within the industry itself are: a moderate volume of cattle on feed in Canada, a moderate volume of cattle on grain for the winter and spring market in the United States, and the continuation of the reduced tariff on Canadian cattle entering the United States as from January 1, 1937. A further and most important contribution may come from increasing consumer purchasing power in the United States. Conditions and prices in the United Kingdom promise no significant change for Canadian cattle of suitable qualities. Such changes as may occur in the chilled and frozen beef import situation should not materially affect the importation of live cattle.

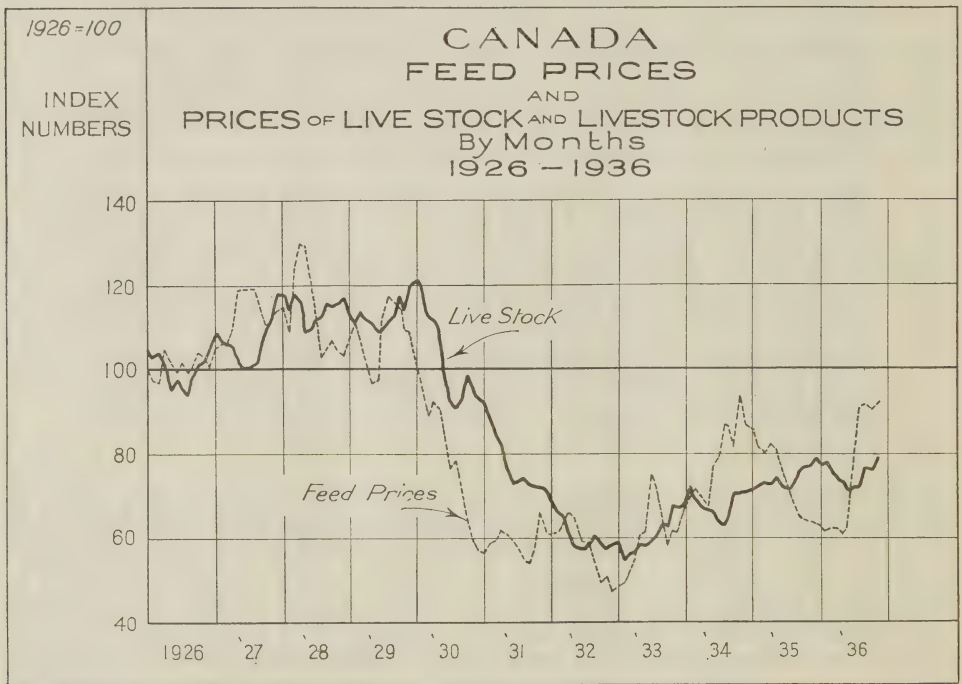
Unfavourable conditions are: higher costs of coarse grains and other cattle feeds than in 1936, and a marked scarcity of these in many areas of the Dominion. A mild winter is essential to the saving of many cattle in those areas where feed is extremely scarce. Despite increased cost of finishing the output of 1936-37, the grain-feeding program is expected to be favourable in comparison with that of the previous winter. Lower initial store cattle prices obtained in 1936 and somewhat improved prices for finished cattle in 1937 are anticipated. A dangerous possibility is that some feeders may be tempted to unload half-finished cattle, should the market fail to move upward as early as expected.

Production.—Commercial cattle on farms and in feed-lots in Canada at the close of 1936 were reported as being somewhat fewer than at the same date of 1935. The moderate reduction in the numbers of cattle purchased for grain-finishing, reflected the unsatisfactory situation in many sections in respect to feed grain supplies. Numbers of cattle on hand at June 1, 1936, were reported as being approximately the same as on the same date of 1935. Cattle holdings in the three Prairie Provinces are reported as somewhat fewer in number than in 1935. Since June 1, marketings of cattle from the three Prairie Provinces have been very much heavier than a year ago, with substantial numbers going direct to slaughter under the existing relief policies. Some increase in marketings has occurred in Ontario, but Quebec supplies have been below those of a year ago. Both these and other provinces have ample supplies of total cattle to meet all requirements of the market, except for grain-finished cattle for which the 1937 market promises excellent support.

Inspected slaughterings of cattle and calves for the period from June 1 to November 30, were more than in 1935, by 108,000 head. Although the movement of slaughter cattle was heavier, the numbers of store cattle returned to country points were smaller than during 1935. From June 1, to November 26, stock yard shipments to country points were 100,996 head, as compared with 123,166 head for the same period of 1935. Shipments direct from western Canada to eastern feed-lots from June 1 to November 26, were 57,363 head as compared with 57,238 head in 1935.

One factor largely responsible for the increased liquidation of cattle and for the somewhat smaller purchases of stockers and feeders was the lack of pasture and feed over large areas of the cattle producing districts, particularly in southwestern Saskatchewan and southeastern Alberta but as well in many mixed farming areas both east and west. A second and most important factor was a much smaller crop of feed grains in all the major beef cattle producing provinces and the sale off farms of a larger proportion of grain because of the high prices offered.

In British Columbia, the live stock feed situation in the central interior region is satisfactory, the growing season having been favourable for both pastures and cultivated crops. Practically all ranchers and farmers are well supplied with winter feed. The production of feed grains in 1936 was above 1935 and considerably above the five-year average, 1930-34.



There were fewer cattle on farms on January 1, 1937, and a smaller number being grain-fed for the spring and summer markets, than during 1936. Apparently, many feeders intend to finish for the early market in the United States. This intention has been stimulated by official reports from the United States of prospects of a strong demand for good beef in the winter of 1936-37 at somewhat higher prices than a year ago. If such a program is carried out, indications are for a further reduction in the number of fed cattle available in late winter and early spring. Such a situation would bring about a widening of the spread between prices for fed beef and for the general run of supplies, and perhaps strong prices for the early marketings of the best of the grass-finished stock. In eastern Ontario and Quebec, a considerable number of farmers not previously interested in feeding cattle, bought stock in the autumn. Part of these cattle will be grain-fed to medium condition, part will be marketed off grass, and part carried over until the next year. There may not be sufficient in any one class

to affect the market to any extent, and they may not contribute very extensively to the fed beef supply. If sold unfinished, either off grain or grass, they are likely to be a disappointment to their owners.

The feed situation in 1936-37 necessitates the carrying over of a considerable quantity of bought-in cattle for finish on pasture, and such intention may play an important part in the feeding program in the East. In the Prairie Provinces considerable numbers of fairly well forward cattle, which otherwise would have been liquidated in the fall, are being held with the expectation of shipping to the United States market early in 1937, under the reduced tariff and quota allowance. Conditions in many areas in the west at the close of the year clearly showed, however, that a mild winter was absolutely necessary for the bare maintenance of a considerable number of cattle, with conditions in southeastern Alberta and southwestern Saskatchewan particularly serious, feed reserves having been used up during the previous hard winter. In some areas, feed relief is necessary to carry over cattle.

The purchase price for store cattle during the buying-in period was more favourable to the purchaser than during the year previous. This lower initial cost is offset to some extent by higher maintenance and finishing costs, but there are reasonable expectations that the outcome of the winter feeding program of 1936-37 will be more remunerative than that of the winter of 1935-36, on properly finished cattle.

Markets and Prices.—Confidence in cattle market prospects in 1937 is based on the following expectations, for which very reasonable grounds exist: (1) Increased activity in key industries of Canada will bring about a further upturn in consumer purchasing power. (2) Shortage of cattle on feed in the United States, providing for cattle prices somewhat better than in 1936, with similar advantages as in 1936 in quota and in tariff reductions on cattle and calves. In the ten months ended October 31, 1936, exports to the United States were 178,823 cattle not including calves, as compared with 96,156 for the same period in 1935. (3) Expectations that conditions under which Canadian cattle may be shipped to the United Kingdom market will be equally as favourable in 1937 as in 1936. Exports to the United Kingdom for the ten months ended October 31, 1936, were 33,714 head as compared with 6,613 for the same period of 1935. (4) A reduction in hog and lamb supplies from March onward, particularly marked during the autumn months. The most recent figures from the United Kingdom indicate a decrease in beef cattle herds. It is expected that the continued operation of the Cattle Fund will provide some incentive to import animals of suitable types for feeding, and the prospects are for no significant changes in fat cattle prices. Part of the substantial increase in the movement to the United Kingdom in 1936 consisted of dairy cows, and the satisfaction which the ultimate importers have shown indicates possibly some further expansion. The purchasing power of the United Kingdom continues relatively strong.

Some benefits may be derived from the removal of the embargoes which had been maintained by Canada and the U.S.S.R. on the importations of certain products. There are also prospects for the development of some trade in pure bred animals for both beef and dairy purposes with Australia and New Zealand.

Cattle prices during 1936 were somewhat lower than in 1935, largely reflecting the situation in the United States market, to which most of the export cattle were shipped. Prevailing prices in Canada enabled exporters to make fairly substantial shipments to the United Kingdom market where prices showed little change from the previous year.

In 1937, Canadian exports within the quota allowance will benefit from the reduction in the United States tariff, and further, from the higher prices which are predicted for the United States market during the early part of the year.

Hogs

The strong upward swing in hog production in Canada, which commenced late in 1935, was checked in the autumn of 1936. The ratio between feed prices and hog prices in the summer and autumn of 1936 resulted in a considerable liquidation of breeding stock and unfinished hogs. Future supplies will be correspondingly reduced, and prospects indicate that contraction will continue in some degree until a more favourable relationship between feed prices and hog prices exists. On the other hand, many breeders with home grown feed sensed the effect of the general grain situation on hog production in 1937 and breeding was increased, thus recognizing the strong position occupied by hogs during the past three or four years.

During the first quarter of 1937, marketings should be in excess of the restricted supply of a year previous. Later, the output may show a progressive decline, and supplies from the 1937 spring farrowings will not approach the high output of the fall and winter of 1936-37.

The outlook in the United States indicates a falling off in pig supplies somewhat early in 1937. Higher prices than at the close of 1936 are expected early in 1937 and are likely to continue, with the peak being reached later in the year than has been the case in recent years. The British market is held by volume as well as by quality. Canadian hog quality was never better than in 1936, and the volume has shown a definite expansion. Strong efforts will be made to hold and, if circumstances permit, to increase the volume in 1937. Competition for British bacon requirements is keener to-day than at any other time in the history of the bacon trade. Losses in volume incurred during 1937 by any of the competing countries may be harder to recover than in former years, and every effort will be made to maintain the movement at the highest possible level.

Production and Marketing.—Increase in spring farrowings in 1936 was responsible for a sharp recovery in pig marketings during the following autumn and for the ten months ending October 31 supplies at yards and plants were approximately 450,000 head more than for the corresponding period of 1935. The increase over corresponding periods of the previous year is expected to be maintained in liberal volume until the spring of 1937, followed by more moderate marketings during the summer months. The fall and winter supplies in 1937 may show some reduction from those in the fall and winter of 1936, as a result of decreased breeding in the autumn of 1936. This was due to feed shortages, high prices for grains and declining hog prices. Apparently, a considerable number of producers have sensed the situation developing and, in anticipation of a sellers' market in the fall and winter of 1937-38, have increased breeding. However, the feed situation is against a repetition of the increase in 1936. If better yields of grain are harvested in 1937, hog producers may be short of pigs in the fall. The usual effect of such a situation is an immediate and sharp upturn in breeding.

As the feed situation is uncertain in the western provinces, this area will probably be the centre of any substantial reduction from the 1936 increase. The present volume may be expected to be maintained fairly well in the Maritime Provinces. Ontario produced such a heavy increase during 1936 that, in view of the rather unfavourable feed situation, a close approach to the 1936 autumn market volume in 1937 is improbable. Quebec has made rapid strides in both quality and quantity during recent years, aided by a most favourable ratio between feed and hog prices. The ratio is less favourable to-day and some volume reaction downward may be expected.

The United States may again be a factor in the Canadian market, as expectations are for a scarcity of pig meats, commencing perhaps in early spring, but quite marked from July onward. It is believed that this will be associated with generally stronger demand and prices than in 1936, and perhaps for all classes of meats, as a result of increased consumer purchasing power. In the ten months ending October 31 1936 Canada sold to the United States the equivalent of 119,000 hogs as live animals, pork and bacon.

European hog production may be somewhat heavier during the early part of 1937, as a result of increased farrowings in Denmark, Germany and the Netherlands. Part of this increase, however, may be absorbed by intra-Continental trade under reciprocal agreements. A higher cost of feeds than in 1936 is common to all bacon exporting countries.

Export Market.—The British bacon market was an important factor in Canadian hog marketing during 1936. Conditions in the United States market added strength to Canadian hog prices and may be a factor of still greater importance in 1937. Exports of bacon to the United Kingdom during the year very much exceeded early expectations, owing to the sharp increase in pig supplies in Canada during the last four months of the year.

Prospects are that exports from Canada to the United Kingdom may have to come out of a smaller total hog supply than in 1936. This at first glance would indicate that the possibility of exceeding or even maintaining the volume exported during 1936 is not altogether promising. However, in some previous years, Canada has shipped more bacon than was exported in 1936 out of a much smaller total hog supply. This indicates that other factors have an influence in determining the volume of imports. It would be unfortunate for the pig industry of Canada if any material loss in volume of export of hog products should occur.

Prices.—Hog prices during the first eight months of 1936 were satisfactory. Late in the year, an increased output of hogs, a decline in the prices of bacon on the British market, and increasing competition from the lower grades of beef, brought about a temporary decrease in hog prices which had an unsettling effect on farmers' production plans. There is a prospect that prices of hog products on the United Kingdom market will move upward in the early part of 1937. United States winter and spring prices are expected to be substantially above those in 1935-36.

Sheep and Wool

The sheep and lamb market in 1936 was featured by comparatively good prices for a well prepared supply which was considerably below the maximum market requirements at most centres.

During the early part of 1937 there will be a considerable volume of short-keep lambs available for slaughter. It would seem that the trade in lambs will move definitely toward larger weekly volumes of fresh killed carcasses supplied from feed-lots both east and west, and this should greatly stimulate consumer interest.

The 1936 wool clip was somewhat lower than the five-year average 1930-34. The quality, however, was well up to standard. Prices for the 1936 clip were higher than has been the case for some years. Exports of wool were slightly greater for the first nine months of 1936 compared with the same period of 1935.

Production.—With the exception of the provinces of Alberta and British Columbia there was a decrease in sheep population on June 1, 1936. The total sheep and lamb population in 1936 was 3,370,000 as compared with 3,400,000 in 1935. More than 50% of the sheep in Canada are raised in Ontario and Alberta.

The feature of the lamb feeding situation in the winter of 1936-37 is the comparatively heavy volume of lambs in eastern feed-lots and fewer lambs in western feed-lots, than during the previous winter. The increase in lamb feeding in the East will be quite an asset to eastern buyers in supplying a fresh product in good bloom during the period when volume is usually short.

Lamb slaughterings at inspected establishments were 40% smaller than in 1935, and stock yard marketings showed an equally sharp decline. For the first eleven months of 1936, lamb slaughterings were approximately 50,000 head less than in the same period in 1935. The bulk of the decrease occurred at Toronto and Montreal. These comparisons, however, do not represent an exact measure of the situation, since during 1936 there was a much larger percentage of lambs than usual slaughtered locally for the tourist and local trade. Lower volume was in part offset by a much stronger price position than during the previous year. There were no excessive runs of eastern domestic lambs. The movement started in June and maintained a more sizable and regular volume from week to week. Lambs appear to have been marketed at nearly correct weights and with good finish.

Wool

Generally speaking, the Canadian wool clip of 1936 was fully equal to that of the previous season in quality. The wools from Western Canada, both range type and domestic, averaged nearly a pound per fleece less than last year and the clip as a whole was of good quality and good condition. The average production of wool during the period 1930-34 was 20,142,000 pounds. In Ontario, Quebec and the Maritime Provinces, the condition, style and character of the wool were similar to previous clips but contained a somewhat higher percentage of seedy fleeces than did the 1935 clip, which may be accounted for by the different winter conditions of the two years.

Prices for the 1936 clip have been higher than for some years. The price improvement has varied on different types of wool, but over all, the prices for the 1936 clip have been running about 25% to 30% over prices for the 1935 clip. Subject to the general improvement in business being maintained, the outlook continues favourable for reasonably steady markets. World production and consumption of wool are at present well balanced and there is no accumulation of burdensome stocks in any part of the world. The markets for Canadian wool have expanded of late years. Substantial quantities have been moved to England and to the continent, with a more limited quantity to the United States market. The home market has taken about the same amount as in previous years.

Exports of wool from Canada during the nine months ending September 30 1936 consisted of 5,538,000 pounds as compared with 5,005,000 pounds during the corresponding nine months of 1935. Of the 1936 total, the movement to the United Kingdom was quite small, but there were substantial increases to the United States and to a number of other countries over 1935. Canada continues as a deficient country in wool production. During the nine months' period, wool imports amounted to 18,591,000 pounds in 1936 as compared with 10,622,000 pounds in 1935.

Horses

Estimates indicate that the number of horses on farms at June 1, 1936, was about 12,000 head less than at June 1 1935. This decrease may be accounted for by the export of 15,183 farm horses to the United States in the first nine

months of 1936. It is reasonable to expect that the general increase in breeding will result in maintaining, and possibly increasing the present horse population. The number of pure-bred stallions approved in 1936 as qualifying for grants under Dominion Horse Assistance policies was 15·3% higher than in 1935.

Inquiry for work horses was particularly strong in the spring and summer of 1936, with prices showing sharp increases, averaging about 20% higher than in 1935. Dealers in both Eastern and Western Canada report the market in 1936 as being the best since the Great War. There was a seasonal decline in prices in the late summer and autumn. Towards the end of the year, the demand was largely for horses for lumbering purposes.

The principal market continues to be for horses for agricultural purposes, and the rise in the number exported at advanced prices gave a very healthy tone to the horse industry across the Dominion. The decrease of \$10 per head in the United States duty had considerable effect in increasing the movement to that market.

The satisfactory returns from 1935 shipments to Great Britain resulted in increased shipments in 1936. The shortage of horses for both farm and street work in England and Scotland has opened a decidedly good market for good draft horses and from the 1936 shipments prices up to \$465 were realized in Scottish cities for choice drafters from Canada, with many bringing around \$400.

What the future holds in the way of a more general adaptation of mechanical power to farm work, is difficult to estimate. Continued high price levels for grains and improvement in the efficiency of gasoline power would naturally cause considerable substitution of mechanical power for horse-power, but rapid development in this direction is not in sight. For the next few years there appears to be little danger of over-production of horses.

Hides and Skins

Throughout 1936, hides were in very good demand and price fluctuations were narrow. Toward the close of the year the market took on a very strong tone, and while prices of some grades were not on a level with those in effect in the same period of 1935, indications pointed to a rising market in 1937. Light and branded cow hides led the way in the advances. Producers sold almost all of their supplies. Calf skins sold during 1936 at about the same prices as in 1935. Indications are that they will follow the movement of cattle hide prices. The large volume of hides of cattle from drought areas which were slaughtered in 1935 in the United States and held over by the government, moved into consumption fairly well. At the end of November, there were only about one million such hides remaining unsold. It was then anticipated that those stocks would be disposed of in such a way as to lend further strength to the market. The market for sheep skins was much better in 1936 than in 1935. This was brought about by improvement in wool prices rather than any increased demand for skins.

POULTRY AND EGGS

Poultry and egg markets maintained a firm position throughout 1936. The increased demand for baby chicks in the spring of 1936 should result in greater egg production through the winter of 1936-37. There has been an active demand not only for fresh eggs, but also for eggs for storage, freezing and drying. Prices of eggs averaged from one to two cents per dozen higher than for the previous year. While exports of eggs are not great they have been sufficient to support the domestic market. Prices of poultry were lower in 1936 than the relatively high price of 1935, but nevertheless the market has absorbed supplies satisfactorily. Exports of live poultry to the United States have been heavy compared with the previous year. Exports of dressed poultry, chiefly to Great Britain, were lower for the first ten months of 1936.

Eggs

Domestic Egg Market.—Egg prices during the spring and early summer of 1936 were one to two cents higher than in 1935. There was a slight falling off in September, after which the situation again showed marked improvement as compared to the previous fall and winter. An active demand for eggs for storing, freezing and drying contributed to this firmness during the early part of the year. An apparent increase in retail sales throughout the year was again noticed. The quantity of eggs in cold storage as at December 1 1936 was 7.4 million dozen as compared with 6.7 million dozen on the same date of 1935 and the five-year average of 9.3 million dozen.

The growing tendency among farmers to buy day old chicks has led to early maturity of pullet flocks. This, coupled with a general improvement in methods of management of the farm flock, is bringing about a steady increase in winter egg production which, from the middle of December to the middle of January has, during the last two years, caused a serious break in the market. The number of poultry on farms as at June 1 1936 was 5% greater than at the same date in 1935. The increase in the numbers of young stock reared in 1936 indicates a probable increase in egg production during the first half of 1937 as compared to the same period of 1936. Production in 1937, however, may be affected by higher feed costs.

The Feed Situation.—The sharp rise in feed prices in July and August, caused some concern to producers. Egg prices were seasonally low and the poultry marketing season was opening at prices somewhat below those of a year ago. At that time some liquidation of poultry flocks took place, but this stopped when egg prices again started to advance. Since then feed prices have held at a fairly steady level.

Egg Exports.—Britain continues to provide the chief export outlet for Canadian eggs. Exports to that country during the first 10 months of 1936 totalled 489,450 dozens, approximately the same figure as for the like period of 1935. The selling price of eggs exported normally is about the same as that prevailing in Canada but the knowledge that there is an alternative outlet is helpful in maintaining prices at certain times of the year. The British market has been improving in recent years and was quite firm at the close of the 1936 season. This might be regarded as favourable for export trade in 1937. A useful trade was maintained with the British West Indies and Newfoundland which, while not large in volume, takes care of any surplus in the Maritime Provinces.

Poultry

Domestic Poultry Market.—Prices of market poultry in 1936 were lower than in 1935. The poultry crop of 1935 was marketed by producers at prices which represented a substantial increase over those of the years immediately preceding. Subsequent developments proved that the farm selling price of this poultry was too great in relation to the domestic or export market prices. This experience proved that there is a price limit for poultry, in comparison with the relative prices of other meats, beyond which the consumer will not give active support to the market. There is every reason to expect a satisfactory movement of the 1936 crop both in Canada and in export trade. This should have a strengthening influence on the situation during the marketing season of 1937 although an early return to the prices which prevailed in 1935 is not normally to be expected. The canning of poultry meats in Eastern Canada has increased considerably in recent years through the development of an export trade in this product.

Poultry Exports.—More dressed poultry was packed for export during the marketing season of 1936 than for many years and a correspondingly large export trade to Great Britain in 1937 appears to be in prospect. The feeding of poultry in packing plants, particularly in Western Canada, increased considerably during the past season and corresponded to some extent with a falling off in farm finishing. Poultry of the Milkfed class is expected to make up 50% of the total export movement during 1937, as compared to 36% in 1936 and less than 3% in 1935.

Under present market conditions in Britain, Canadian poultry sells freely in competition with European birds when it is landed at a price of around twenty-five cents per pound. If this trade is to be developed profitably to Canadian producers the most economical methods must be followed of growing and finishing birds of the desirable export weights of about four pounds. In many instances poultry is kept on the farm long after it might have been profitably marketed, any small added weight gained by no means making up for the additional feed consumed.

Exports of live poultry to the United States increased considerably in 1936. For ten months ending October 1936 these exports totalled 311,934 head compared to 23,328 head for the same period of 1935. There was also an increase in exports of dressed poultry to the United States during 1936, although this trade remains relatively small as compared to exports to the United Kingdom. Over one quarter of a million pounds of dressed poultry were shipped to the West Indies in 1936. In contrast to the British market, where a medium weight chicken is desired, the demand from the West Indies has been for a heavy bird.

Baby Chicks and Breeding Stock.—The year 1936 was the best that commercial and breeder hatcheries have had for some time and all are prepared for a still bigger year in 1937. More farm flocks are being renewed each year by means of chicks purchased from breeders and commercial hatcheries. In some districts artificial brooding is followed on practically every farm and the number of farmers using this method is increasing every year. During the past year more attention has been paid to meat type than for many years and also to the development of a type of chicken which will be better fleshed and take on a good finish at the medium weights required for the export market.

Turkeys and Ducks.—The 1936 turkey crop, particularly in Western Canada, was somewhat larger than in 1935 but not up to the figure of four or five years ago. The 1936 crop was better matured than that of the previous year and assembly for export started earlier. Exports of turkeys to Great Britain were again around one million pounds.

Both the domestic and export market for green ducklings was satisfactory in 1936. Exports to Great Britain have increased considerably as a result of the tariff preference for Empire supplies.

DAIRY PRODUCTS

The dairying industry in Canada in 1936 as a whole showed a marked improvement over the past few years. Cheese prices averaged higher during the year than they have since 1930, and butter prices averaged higher than they have during the past four years. Despite the severe drought in sections of Ontario and the Prairie Provinces production of both butter and cheese showed substantial gains over the year 1935. Storage stocks of butter at November 1, 1936, would indicate that with a normal winter make supplies will be sufficient, if not more than sufficient, to take care of domestic requirements until the spring increase in production takes place. As a result, cream prices during the winter and spring months are unlikely to be any higher than they were during the same period of 1936. Prospects of a normal dairy production in 1937 together with improved general economic conditions augurs well for the Canadian dairy farmer. The foreign situation would indicate that Canada's competition in foreign markets in 1937 will be unchanged from that of the previous year.

Milk

Milk production in Canada in 1935 was 16,311 million pounds or 18 million pounds less than in 1934. The milk cow population on June 1, 1936, was 3,835,000 as compared with 3,849,000 on the same date in 1935. The decrease has taken place in the Prairie Provinces and in the Maritimes. Fewer heifers raised for milk purposes in 1935, as reported in the "Agricultural Situation and Outlook 1936," together with exports, accounted for the decreased milk cow population. The preliminary report estimated the number of yearling heifers on June 1, 1936, at 842,000, which was 17,000 less than on the same date in 1935, which together with the number of heifers and cows which may be exported will mean fewer milk cows in Canada in 1937 than in 1936. For the first ten months of 1936, exports of dairy cattle were 6,878 head compared with 5,118 during the same period in 1935.

Milk production in 1936 was slightly greater than that of the previous year, in spite of the fact that there were fewer milk cows and a scarcity of feed in the Prairie Provinces. Eastern Canada, where over 62% of the milk cows are located, has had good fodder crops, with the possible exception of central and western Ontario. Production for the year 1937 may be slightly reduced with fewer cows to be milked and higher feed costs, but if general economic conditions continue to improve dairy farmers may expect a higher gross cash income.

Butter

Creamery butter production for the ten months ending October 31, 1936, was 226,205,658 pounds, an increase of over 8.6 million pounds over the same period in 1935. Most of the increase was accounted for during the first six months. There was a decrease in production during July and August which was more than made up by the increase in September and October. All provinces, with the exception of British Columbia, contributed to this increase. In spite of serious drought conditions throughout large areas of the Prairies during the summer months, nearly 60% of the increase in creamery butter production was due to the higher production in the three Prairie Provinces.

Reports indicate this increase was due to the larger numbers of cows actually milking and to better feed and pasture conditions during the early months of the year. The greatest percentage increase in creamery butter production was made by the Maritime Provinces, but the actual volume was only 20·3% of the total increase. An abundance of feed appeared to have been the chief factor contributing to the higher production in the Maritimes. Present indications are that the general trend of increased creamery butter production that has occurred during the past ten years will be continued, and the high production of nearly 241 million pounds in 1935 was exceeded in 1936. The output of creamery and dairy butter in Canada now represents approximately 49·5% of the total milk production.

Butter imports for the first ten months of 1936 totalled 109,715 pounds as compared with 146,842 pounds in 1935 for the same period. Butter exports for the ten months ending October 31, 1936, were 5,005,200 pounds compared with 6,998,700 pounds for the same period in 1935. Prices on the United Kingdom market were favourable for export during June, July and August, 1936, and nearly 4·6 million pounds were exported during that time. Total exports of cream were 19,426 gallons during the first ten months of 1936, most of which were exported to the United States. While cream exports were considerably higher than for the same period in 1935, this small volume represents less than one hundred thousand pounds of butter and had little or no effect on the creamery butter situation.

The wholesale jobbing price of butter at Montreal was 2·54 cents higher for January, 1936, than in 1935, but for the next four months declined to lower levels than in the preceding year. From June to September inclusive, prices at Montreal averaged 2·81 cents higher in 1936 than in 1935. For the first ten months of 1936 the average price at Montreal was approximately one cent per pound higher than for the same period in 1935. Butter prices in 1936 averaged higher than they have been during the past four years. London prices for a grade of butter comparable to Canadian No. 1 pasteurized were from 3·03 to 4·81 cents lower than Montreal prices for the first four months of the year, but from May to August London prices were from ·7 to 2·1 cents higher than the Montreal quotations. The New York price for 92 score butter continued considerably higher than Montreal prices, the range being from 6·86 to 13·62 cents per pound higher and the average 9·57 cents higher up to the end of October, 1936.

Storage stocks of creamery butter were somewhat higher at the beginning of each month in 1936 than for the same dates in 1935 except on January 1 and September 1. On November 1, 1936, butter stocks in storage amounted to 53,251,361 pounds, a relative increase of approximately 4·4 million pounds over the same date in 1935. This increase is considerably less than the total increase in creamery butter production due to exportation during the summer months.

Apparent butter consumption per capita has remained practically constant at approximately 31 pounds during the past five years. A slight increase in total domestic requirements may be expected each year due to the normal increase in population. The increase in domestic requirements in 1936 would be equal to approximately 5 million pounds when based on per capita consumption and the average yearly increase in population over the past ten years. Increased tourist trade in Canada during the past few years has no doubt been a factor in maintaining consumption. The definite improvement in general economic and business conditions and the moderate level of prices for butter are likely to maintain the domestic consumption of this product.

Cheese

A feature of the cheese industry in 1936 was the increase in production over the previous year. Coupled with this, cheese factory patrons received considerably higher prices than in any year since 1930. Exports of cheese in 1936 exceeded those of 1935, and the high quality of the product was maintained. There are no indications that the 1936 price levels will not be maintained in 1937.

Indications are that the 1936 production of factory cheese will exceed the 1935 figure by some 20 million pounds. The largest increase occurred in Ontario and Quebec, the two provinces where over 95% of the factory cheese of Canada is produced. In 1934, Canada produced 99.3 million pounds, the smallest output since 1900. A small increase of one million pounds, or one per cent took place in 1935. Production in 1936 will approximate 120 million pounds.

The wholesale jobbing price of No. 1 Western cheese at Montreal was as high as 15.5 cents per pound in August, 1936, the highest price since 1930. The unweighted yearly average figures will likely be at least 2 cents over the 1935 price, which was approximately 11 cents. The increase in price and volume meant about 4.5 million dollars more revenue for cheese producers in 1936.

Canadian cheese in London for the first ten months of 1936 averaged 1.38 cents per pound higher than for the same period in 1935. The premium it received over cheese of the same type during the ten-month period averaged 1.3 cents per pound. A factor affecting price in Canada during 1936 was the marked increase in the quantity of cheese exported to the United States and the higher prices prevailing in that country.

Total cheese exports from Canada in the ten months ending October 1936, were up 15,585,900 pounds or almost 35% over the same period in 1935. In the 1936 period, exports were 60,580,300 pounds, of which 47,704,200 went to the United Kingdom and 10,863,500 pounds to the United States. The increase to the United Kingdom over the 1935 period was 4,953,700 and the increase to the United States 10,533,300 pounds. The latter figure is significant when it is considered that less than half a million pounds were exported to the United States in the year ended December 1935. Imports of cheese for the ten months ending October 1936 were slightly lower than in the same period of 1935 when 1,003,552 pounds were imported.

Cheese imports into the United Kingdom for the first ten months of 1936 were about 17,584,896 pounds less than for the same period in 1935. Decreased imports from Australia and New Zealand occurred, amounting to 4,966,080 and 11,328,240 pounds for the two countries respectively. On the other hand imports from Canada advanced considerably in the period under review.

Apparent consumption of factory cheese in Canada continued to increase. In the year 1935, the apparent consumption was 39,640,000 pounds compared with 37,903,000 in 1934. Stocks of cheese in store in Canada on November 1, 1936, were 33,178,168 pounds. This figure was about 5 million pounds greater than for the same date in 1935. Except for the September 1 report stocks were higher each month from January to November, 1936, than for the corresponding months of 1935.

Concentrated Milk Products

The production of concentrated milk products for the first ten months of 1936 was about 1.5 million pounds greater than for the corresponding period a year ago. Most of the products manufactured showed a small reduction in quantity, skim milk powder being the greatest with a reduction of approximately one million pounds. The only product to show an appreciable gain over a year ago was evaporated milk, the production of which was up about two and a half million pounds. The demand, both domestic and export, for concentrated milk

products was exceptionally good in 1936. This was reflected in the storage stock holdings on November 1, 1936, when the quantity was only about 80% of the stocks on hand on the corresponding date a year ago.

Exports of condensed and evaporated milks for the first ten months of 1936 were down approximately three quarters of a million and three and a quarter million pounds respectively, as compared with the same period of 1935, while milk powder exports were up about one million pounds. As in former years the quantities of concentrated milk products imported were insignificant.

Foreign Situation

In the United States on October 1, 1936, there were between one and two per cent fewer milk cows on farms than a year ago. The principal factors governing the outlook for production are the short harvest of feed grains, the high prices of feed grains compared with butterfat, and the somewhat smaller number of milk cows. Butterfat prices in 1936 were the highest since 1930. Increased production in the fall of 1936, following the severe drought during the summer months, caused prices of dairy products to weaken, but the prospect is still for somewhat reduced milk production during the winter and early spring feeding period. Prospects are that the prices of dairy products for the first half of 1937 will average higher than in the first half of 1936.

The production of both butter and cheese in Australia during the season 1935-36 was below that of the preceding year. Australia expected to recover lost ground this coming season but however, during their spring months the Southern section of the Commonwealth has had cold wet weather, while the dairying areas in Queensland have had very dry and hot weather. Reports on October 31, 1936, would indicate that unless there is an abundance of rain and favourable weather during the last half of the 1936-37 season, the butter production will not be any greater, if as great, as that of 1935-36. An increase of 8.2% in butter grading in New Zealand in 1935-36 as compared with the previous season indicates an increase in production, but cheese production continued to decline chiefly due to the premium for butter over cheese early in the season. The New Zealand Government recently passed legislation assuring the producers a guaranteed price for butter and cheese. The new legislation, which became effective August 1, 1936, empowered the Government through the Department of Marketing to buy the whole of the export output of butter and cheese. The Government has now assumed responsibility for the whole of the marketing and handling of their exportable cheese and butter. Cheese suppliers will receive approximately 1½d more per pound for butterfat than suppliers to butter factories. This premium will tend to halt any further decline in cheese production. What influence the Government's action will have on the dairying industry in general is uncertain, but it is expected to stimulate production as the object of the scheme is to enhance the prosperity of the industry generally.

Production in Denmark was about normal in 1936 following the third dry year in succession. Butter exports to the United Kingdom were less each year during the past three years with greater quantities going to other countries, chiefly Germany. Indications are that butter production in Germany in 1936 was equal to if not greater than in 1935, but cheese production is expected to show a decline due to regulations limiting the production of whole milk cheese in order to accelerate the butter output.

Conditions in the Baltic countries were favourable for production during 1936, the quantities of butter exported to the United Kingdom during the first half of 1936 showed a slight increase over the corresponding period in 1935. Dutch butter supplies to the United Kingdom for the first seven months of 1936

were approximately 55% greater than during the same period in 1935, and were only about five and one-quarter million pounds less than the twelve months' supply in 1935 which was over 52 million pounds. Holland, within the last three years has become one of the most important sources of supply of butter to the United Kingdom.

The United Kingdom continues to be the chief outlet for world supplies of butter and cheese. Butter consumption in that country was well maintained but the decline of cheese imports together with only slightly increased production during the past five or six years would indicate that cheese consumption has fallen off. Imports of butter for the year 1935 were 1,076,165,440 pounds which were approximately 41% greater than in 1930; while cheese imports during 1935 were 303,892,063 pounds, a reduction of approximately 13%. The outlook concerning future competition in the United Kingdom market is uncertain as the effect of recent measures in currency stabilization in several leading continental dairy exporting countries cannot as yet be measured.

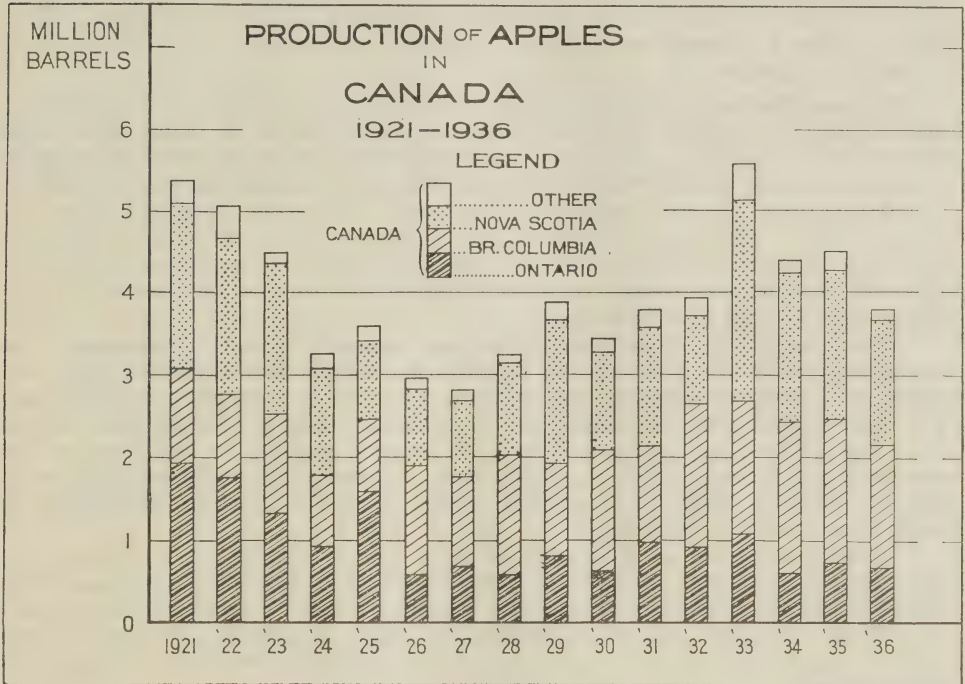
FRUITS

Production of apples during the 1936 season declined considerably below the level of the past several years. Abnormal weather and pest conditions were responsible for the reduction. There was little permanent damage to trees, except in British Columbia. The short crop was marketed at comparatively good prices. There was a heavy crop of apples in the United Kingdom in 1936, which, coupled with the low crop in Canada, has led to reduced exports to that country this year. However, there is a good market in the United Kingdom for high quality apples of suitable varieties. Peach production was also less than in 1935 and prices were above the level of the previous year. Replacements of trees and new plantings are going ahead rapidly. Pear production was lower and prices were firm. Some pear exports are sent to the United Kingdom but a much greater quantity are imported from the United States. The grape crop was the smallest in ten years, being adversely affected by weather conditions. Prices were substantially above those of 1935. Strawberry production was cut down in Ontario by dry weather, but good crops were harvested in the Maritimes and Quebec. The Ontario new plantings suffered to such an extent that 1937 production will likely be affected. Prices were slightly above 1935 levels. Cherry production was reduced and some permanent damage resulted from the dry hot weather.

Apples

Production.—Production of apples during the 1936 season declined considerably below the level of the past several years. Abnormal weather and pest conditions were responsible for reducing the estimated crop of 1936 to about 3.8 million barrels as compared with 4.5 million barrels for 1935. Crop reductions were common to all producing provinces, with Quebec showing the greatest percentage decrease while British Columbia and Nova Scotia showed the greatest total reduction. Frost injury affected the crop in Ontario, Quebec and Nova Scotia. The Ontario crop was further reduced by severe and prolonged drought. The factors responsible for the greatest loss to the Nova Scotia crop were the widespread epidemic of scab and the severe infestation of aphids. As a result of the activities of these pests, much fruit dropped prematurely while a large proportion of the remainder was of low quality.

Apple orchards of British Columbia suffered severe damage from freezing during the winter of 1935-36, resulting in a light set of fruit followed by a heavy drop which reduced the total yield in that province to about 80% of the year previous, and the commercial crop was considerably below that of 1935. Tree mortality was relatively heavy, particularly in North Okanagan, Jonathans having suffered most. Injury to trees took place in varying degree however, throughout the province and this injury is expected to be progressive for the next few years, and many trees will eventually have to be uprooted. Apple production in British Columbia will, therefore, probably show a reduced total yield for the next few years. New Brunswick orchards bloomed and set lightly, and the crop was small as a consequence, but bloom bud indications are decidedly promising for 1937.



Replacement of winter-killed trees and the planting of new orchards has been going forward steadily in recent years. During the past season, plantings approached the half million mark, the highest since 1926. The Census of 1931 showed 10,244,000 apple trees of all ages in Canada. Since that time, domestic sales and imports of apple trees have totalled almost 2 million trees. Many of these have undoubtedly gone to replace trees killed during the severe winter of 1933-34.

Domestic Market.—The marketing of apples during the late summer and fall months was quite orderly, satisfactory prices generally prevailed and distribution was relatively free and brisk. As a result of Export Control Regulations there was a tendency to market a greater proportion of Domestic and No. 3s. particularly in Central Canada. The main distribution points have not been overloaded and have absorbed offerings without unduly depressing market price levels.

Orders issued during October and November releasing for export fall and winter varieties of the Domestic and Cee Grades showing a definite percentage of colour according to variety, considerably strengthened the domestic marketing

situation, and local markets responded to the stabilizing influence of a more normal export movement. The comparatively short crop in the United States may lead to an export outlet in that direction during 1936-37 for Canadian apples generally but particularly for high class barrelled Ontario Spys and British Columbia boxed apples.

Some damage resulted from fall frosts this year, when limited quantities still remaining on the trees in Ontario and Nova Scotia on October 27 were seriously affected with freezing injury. High winds, however, on October 10 were responsible for a heavy drop in Nova Scotia amounting to about 100,000 barrels, or approximately five per cent of the estimated commercial crop. This tended to overload the processing plants of that province since there was already a large quantity of low grade fruit at their disposal. There is a possibility, however, that Nova Scotia will be called upon to supply bulk cars of processing apples to meet the demands of factory requirements of Central Canada. Nova Scotia apples in storage are ripening prematurely resulting in a relative rapid movement to market.

Export Markets.—The movement of Canadian apples to the United Kingdom during the 1936-37 shipping season is estimated to be from 30 to 40% below that of 1935-36. Exports during that season totalled 6,496,000 bushels as compared with 5,244,000 bushels in 1934-35 and 9,043,000 bushels in 1933-34. There has been an even greater proportionate decline in shipments from the United States. The large increase in United Kingdom production from 4,000,000 bushels in 1935 to 16,000,000 in 1936, together with the unsatisfactory quality of the Nova Scotia crop and the short United States crop were the chief factors influencing the fall in exports.

The principal problem facing Canadian exporters is that of varieties. The increasing production in England, largely in cooking apples, undoubtedly will result in a progressively smaller demand for imported supplies of this class. The near record crop in 1936 from the present bearing acreage has reduced the value of cooking apples and fruit of inferior quality to low levels. The prospects for dessert varieties are much more favourable and the situation in general indicates that the Canadian grower should adjust his production to meet these changing conditions.

There is reported to be a lack of good quality dessert fruit available on the markets of Great Britain. Further, the United States crop is not likely to be a serious competitive factor in the export market. Therefore fruit growers of British Columbia and Nova Scotia are quite favourably situated for the 1936-37 export season and apples throughout Canada have been quite extensively stored.

Conditions in other overseas markets do not indicate any substantial increase in export possibilities. Local production in the Union of South Africa is rapidly increasing, as is also the case in Argentina. A good market for boxed and wrapped apples, green in colour, and of extra fancy quality exists in British Malaya and Netherlands Indies. Under the recent Payments Agreement with Germany 5% of the foreign exchange accruing from the purchase of German goods by Canadian importers is allocated for the purchase of Canadian fresh apples by German importers. German production in 1936 amounted to about half the average of the previous three years. The volume of exports to France continues to be governed by the quota assigned quarterly by the French government. There are indications that an increased movement of British Columbia apples to Egypt may be anticipated.

Peaches

Peach production fell off sharply in 1936 as compared with the crop of 1935 and the five-year average, 1930-34. In Ontario where most of the production is centred, young trees bore well but the older trees have suffered considerable damage from weather conditions and many have died out. The

crop was affected to some extent by dry weather and this factor contributed to the reduction in total yield; however, Ontario peaches last season were of fine size and quality. In British Columbia the crop was also considerably below that of previous years, being less than 52.8% of the five-year average of 72,142 bushels. The total crop for Canada is estimated at 440,500 bushels of which Ontario produced 402,300 bushels, and British Columbia 38,200 bushels, as compared with 575,000 and 44,600 bushels respectively in 1935. This constitutes the smallest crop of peaches harvested in British Columbia for more than ten years. However, very few peach trees were winter killed last season.

Replacement of dead trees and setting out of new orchards is going ahead rapidly as indicated by the fact that for the year ending May 31, 1936, trees to the number of 260,000 were distributed by domestic and foreign nurseries. This is the largest number on record for any single year and it is expected that peach production will show a gradual increase.

The crop was marketed successfully in both provinces. A good demand from processors prevailed in Ontario, and in addition the almost entire absence of brown rot enabled the fruit to carry exceptionally well in transit. Ontario six-quart baskets of No. 1 Grade averaged 68c and 57c at Montreal and Toronto as compared with 52c and 46c respectively in 1935. British Columbia boxes at Calgary brought \$1.46 as compared with \$1.50 in 1935.

Pears

The yield of pears in 1936 was below that of last year, the decline being less than 15%. The Ontario crop was estimated at 148,800 bushels. In British Columbia the crop estimated at 211,000 bushels was well above the five-year average of 182,000 bushels, though slightly smaller than that of last year.

For the past three years, new plantings of pear trees have remained at about the same level of about 75,000 trees annually. The setting out of new pear orchards in Nova Scotia with a view to producing for the canning trade is a new development which gives promise of considerable expansion. There was an improved local demand both from processors and the fresh fruit trade. Fancy grade Ontario and Fancy Anjou averaged \$3.45 per box at Toronto as compared with \$3.39 in 1935. Vancouver quotations on Fancy Bartlett in 1936 averaged \$2.24 as compared with \$2.20 last year. Imports of fresh pears have risen sharply. The quantity for the year ending March 31, 1936, was 360,240 bushels as compared with the five-year average of 294,880 bushels and the 1935 imports of 273,140 bushels.

Export Markets.—Shipments of pears from Canada to the United Kingdom during the three months ending November 30, 1936, showed a slight decrease from those during the same period in 1935. Total exports to that market during the 1935-36 shipping season amounted to 74,000 bushels as compared with 56,000 bushels in 1934-35 and 121,000 bushels in 1933-34. United Kingdom production in 1936 was double that of 1935. Canadian varieties are not well liked in the British market which is peculiarly difficult and requires special attention to varieties and methods of handling and shipping. Pear growers in Canada desiring to cater to this market would be well advised to adapt their planting policy to its special requirements. A limited market exists in Egypt where the Anjou variety is well liked.

Grapes

The 1936 grape crop, now estimated at 23.1 million pounds, was the smallest for over ten years. Severe frost damage in the spring, coupled with excessive heat and drought, cut the Ontario crop to slightly more than half that of 1935, or 21.6 million pounds. Production in British Columbia, while

growing steadily, is but a small percentage of the total. The 1936 crop, estimated at 1.5 million pounds was slightly less than last year, but 140% of the five-year average.

Purchases by wineries in Ontario were lower than last year, while in British Columbia approximately one-third of the tonnage was disposed of to wineries. Wholesale quotations on blue grapes in six-quart baskets at Toronto averaged 30c in 1936 as compared with 22c in 1935.

Strawberries

Strawberry production declined from the record level of 1935, but the 1936 crop, estimated at 21.3 million quarts, was above the five-year average of 19.3 million quarts. Maritime Provinces and Quebec harvested bumper crops in 1936, but spring frosts, coupled with intense heat and dryness, reduced the Ontario crop to about half that of 1935. In British Columbia the crop was about 65% of 1935 though slightly above the five-year average. Provided the plants winter well, British Columbia, Quebec and the Maritime Provinces should experience good yields again next year, but in Ontario the drought affected the growth of new plants and many acres have been ploughed under.

The short crop no doubt enhanced values for this commodity. Ontario processors were unable to obtain sufficient supplies to meet requirements. Fresh fruit markets recorded prices from two to three cents a quart higher than in 1935. A substantial market exists in the United Kingdom for processed (SO₂) strawberries for jam manufacture. Supplies from non-Empire sources are dutiable at 9/- per 112 pounds, while the Empire product enters duty free. Although Canada has shipped relatively small quantities in the past and provided quality is maintained a greater share in the trade may be anticipated.

Raspberries

The Ontario crop, estimated at 1.8 million quarts, was barely half that of 1935, while the Quebec production of 2.3 million quarts was a little below that of last year, but well above the five-year average of 1.5 million quarts. In British Columbia production was also lower than last year, being estimated at 1.2 million quarts, compared with 1.9 million quarts in 1935, winter injury being mainly responsible.

Average wholesale quotations were somewhat higher for Ontario berries as compared with 1935, pints selling for an average of 13 cents at Montreal as compared with 9 cents in 1935. Toronto quotations averaged two cents higher although quotations for Quebec stock at Montreal were lower.

Apricots

Apricots are grown principally in British Columbia where the crop was almost a total failure. It is estimated that fifty per cent of the trees were either winter killed, or will not recover from freezing injury sustained last winter.

Production is estimated at about 2,660 bushels as compared with 99,900 bushels in 1935. Calgary quotations averaged \$2.13 per 4-basket crate as compared with \$2.01 in 1935.

Cherries

The total cherry production for Canada amounted to 203,200 bushels, and Ontario's share of this was 154,000 bushels, or about the same as a year ago. The yield of sweet cherries in Ontario was not reduced to the same extent as that of sour cherries. It is estimated that returns for the former were about the same as 1935, but more satisfactory prices were received for the latter, both from processors and fresh fruit trade.

Cherry trees throughout British Columbia, and particularly the Okanagan, suffered heavy damage due to freezing injury experienced last winter, and as a result the total yield for 1936 was much reduced. The crop harvested in 1936 was the smallest for the last ten years, namely 49,200 bushels compared with 53,300 for 1935, and a five-year average of 103,000 bushels. Dry and hot weather resulted in permanent damage to trees. Owing to the severe damage in British Columbia, it might appear opportune for new plantings, but it has been apparent for some time that this commodity will present a marketing problem in a year of full production.

Wholesale quotations at Montreal averaged 75 cents per 6-quart basket of black sweet cherries as compared with 86 cents in 1935, while Toronto quotations averaged 10 cents higher than last year. British Columbia Bings in four-basket crates averaged \$2.65 at Calgary as compared with \$2.84 in 1935.

POTATOES

The 1936 potato crop, estimated on November 1 at 65,105,000 bushels, was slightly larger than that of the previous year but about 9 million bushels below the five-year average. For the past two years, production has been only slightly in excess of domestic requirements and export markets have absorbed the surplus so that prices have been well maintained. Owing to reduced acreage and weather conditions during the past season, production in the Prairie Provinces was below local requirements but surplus supplies in Eastern Canada should be ample to take care of demand. The relatively higher prices received for the 1936 crop may result in an increased acreage in 1937. While new export outlets now being explored may eventually take care of an increased production at satisfactory prices, any material increase in 1937 might result in sharply lowered returns to producers. The diversion of surplus stocks to by-product factories has not yet become an important factor. Production of certified seed in 1936 was slightly below that of the previous season. Except for the Maritime Provinces, local supplies of good seed stock are insufficient to meet requirements. Export demand has been brisk and supplies have been disappearing rapidly, with prospects of good seed being scarce and commanding high prices by spring.

Production.—The November 1 estimate of the 1936 potato crop was 65,105,000 bushels, slightly higher than the yield of 64,450,000 bushels in 1935 but 9,592,000 bushels below the five year (1931-35) average. For the sixteen-year period, 1921 to 1936 inclusive, the average yield per acre of potatoes for all Canada was 141 bushels. The decline in plantings from 506,800 acres in 1935 to 496,400 acres in 1936 was confined mostly to the Prairies and offset by a higher average yield per acre in Eastern Canada. Prairie production was reduced approximately 44% as compared with 1935, while in Eastern Canada there was an increase of 11.3%, with British Columbia showing a slight increase of about 3%. A white grub infestation in non-commercial areas of Ontario, normally self-supplying, caused considerable damage which will necessitate bringing in supplies from outside. Wireworm damage in certain sections of Saskatchewan was also reported. This fact should be borne in mind when selecting land either for domestic or commercial production in 1937.

Consumption of potatoes in Canada during 1935 was estimated at 61,633,000 bushels. Net exports for the past 10 crop years averaged 4,097,000 bushels and over this period 5,622,000 bushels annually were estimated to be

non-merchantable. Export demand, which fell off from 1931 to 1935 showed improvement in 1936. The export demand in 1937 will be largely determined by crops in importing countries, economic conditions in those countries and regulations governing the movement of potatoes in international trade.

Markets and Prices.—Prices during the coming season will no doubt react favourably, to the reduced supplies. With approximately the same yield from the 1935 crop, prices advanced during the winter to fairly high levels, which were well maintained during the spring. With generally improved prospects for export trade and the short crop in the United States, it would appear that a steady market will prevail for the balance of the crop year. Present price levels indicate a much stronger market than existed during the same period last year. Average wholesale quotations for table stock on the Montreal, Toronto, Winnipeg and Vancouver markets showed an advance of 34, 30, 80 and 47 cents per bushel, respectively, during the months of September and October, 1936, as compared with the same period of the previous year. Prices to the producer showed advances during the same period, with the Prince Edward Island and New Brunswick growers receiving 59 and 50 cents per bushel respectively as compared with 35 and 30 cents in 1935. Rail shipments of Maritime stock to Central and Western Canada during the period ending October 31 showed an increase of approximately 10 per cent over 1935.

Seed Potatoes.—A total of 20,083 acres was entered for certification in 1936 and 16,739 acres passed field inspections. This was 12 acres less than that passed for seed in 1935. The slight average increase in yield per acre in 1936 was offset by losses due to late blight rot in Eastern Canada, amounting to about 2% of the crop, and the total quantity of certified seed in 1936 was, therefore, approximately the same as in 1935.

The export movement of certified seed potatoes started in Nova Scotia as early as the third week in August and has continued more or less steadily. Practically all seed available for export has been sold. With prospects of increased orders for some varieties, operators are planning for an increased acreage for next season. In New Brunswick, prices have been the best in years, ranging from 65 cents to \$1.10 per bushel net to grower. Shipments of Green Mountains to Argentina and Uruguay, a comparatively new market, approximated 120,000 bushels at October 31 and seed of this variety moved freely by truck into the State of Maine, with prospects of increased sales for spring delivery. Shipments up to December 1 amounted to 397,016 bushels. In Prince Edward Island, the province with the largest acreage of certified seed potatoes, the outlook is promising. Prices are satisfactory, ranging from 65 to 75 cents per bushel net to grower. Shipments from the new crop were about 400,000 bushels.

In all other parts of the Dominion, the local supplies of seed will apparently be insufficient to meet the demand. There should be a good market in Quebec for certified Green Mountains and in Ontario for Irish Cobblers. The Prairie Provinces will also require some additional seed. In British Columbia it is expected that all available local certified seed will be sold at good prices.

Export shipments for the fall months were approximately double those of the previous year. Prospects are that seed will be scarce by spring and will be higher in price. A small increase in seed potato acreage is expected in 1937 and probabilities are that the crop will bring a fair price.

Export Markets.—Exports of potatoes for the crop year ending July 31, 1936, amounted to 1,555,083 bushels compared with 1,444,613 bushels exported the previous year. The bulk of these exports went to the United States, due to the shortage of seed potatoes in that country and to the reduced import duty applicable under the Canada-United States Trade Agreement.

The Union of South Africa, Netherlands Indies, Brazil, Panama and Uruguay are potential markets for Canadian seed potatoes. One or more experimental shipments comprising several varieties of certified stock have been made to each of these countries for the purpose of establishing the variety best suited to the soil and climatic conditions.

The United States crop was estimated on November 1 at 332,244,000 bushels, a decline of approximately 17% from the 1935 crop. Production in Maine, estimated at 42,120,000 bushels as compared with 38,880,000 bushels in 1935, was still 5% below the five-year average.

The relatively higher prices received for the 1936 crop are expected to encourage growers to increase acreage by about 2% in 1937. Given average growing conditions this acreage should produce sufficient to meet domestic requirements. The influence of higher prices upon acreage will probably be felt less in the late surplus producing States than in other regions and in these States comparatively little increase in acreage is anticipated in 1937. A stronger than usual demand for Canadian certified seed potatoes may be expected to develop after March 1, when the rate of duty, under the Canada-United States Trade Agreement drops from 60 cents to 45 cents per hundred pounds. It is anticipated that the quantity of potatoes remaining unsold at this time will be considerably less than average. Consequently, prices may be sufficiently high to render Canadian table stock potatoes competitive in spite of the duty of 75 cents per hundred pounds.

Imports into the United States of certified seed potatoes from Canada amounted to 254,608 bushels in 1934 and 111,091 bushels in 1935. Under the Trade Agreement, which became effective on January 1, 1936, a quota of 750,000 bushels of certified seed potatoes per twelve-month period beginning December 1, was permitted entry at a reduced tariff. By the end of November, the first quota was practically exhausted.

The Cuban tariff on Canadian table potatoes is prohibitive but Canada supplies upwards of 90% of the seed potatoes, which enter free of duty from all countries. Requirements of seed for the 1936-37 planting season are estimated at 412,500 bushels (150,000 barrels) but actual imports may be considerably less than this figure due to the possible adverse effect of prevailing high prices.

The 1936 potato crop in Argentina was almost a complete failure. For the first time in many years Argentina was an important buyer of potatoes both for consumption and seed. The shortage was made up by importations from Chile, Uruguay, Europe, the United States and Canada. The future market for potatoes in Argentina is uncertain. With the return of normal crops, imports of table stock will be relatively small and of no importance to Canada. As far as imports of seed are concerned, a good deal will depend upon the results obtained from the planting of North American stock and the development of a proposed seed certification system in that country.

By-products.—Owing to the comparatively high price which potatoes have commanded during the past year for use as table stock, no potato starch has been manufactured in Canada during that time. Laboratory investigation on the utilization of potato starch and starch products for a number of industrial uses was continued and substantial progress made. Technical difficulties have been largely overcome and the feasibility of using potato starch in certain important industries has been demonstrated. However, important economic aspects of the problem must also be dealt with, the chief one being the continuity of supply of potatoes for starch manufacture at a definite pre-arranged price.

TURNIPS

Export Market.—The cities of Eastern United States, particularly New York and Boston, provide a relatively stable market for table turnips from Ontario and Prince Edward Island. Turnips from these provinces, because of their fine flavour and appearance, have for years commanded a premium over those of domestic origin. In the first nine months of 1935, Canada exported to the United States 492,624 cwts. of turnips valued at \$228,194. Under the Canada-United States Trade Agreement, the United States duty on turnips was reduced as from January 1, 1936, from 25 to 12½ cents per hundred pounds. In the first nine months of 1936, exports of turnips amounted to 724,854 cwts. valued at \$452,984. At the end of November, quotations on the New York wholesale market for Prince Edward Island turnips were 50 to 55 cents and for Ontario stock 40 to 50 cents per 50-pound bag. Prices for turnips remained unusually low due to very heavy shipments from Prince Edward Island.

As shipping costs for turnips from Prince Edward Island to United States cities on the Atlantic seaboard are lower than those from Ontario and as the Prince Edward Island product is preferred in these markets, it would appear advisable in the interests of both the Ontario and Prince Edward Island shippers that every effort should be made by Ontario exporters to develop the more accessible markets of Chicago, Pittsburg and other interior points. Other export markets for turnips are relatively unimportant.

ONIONS

British Columbia, Ontario and Quebec are the principal onion producing provinces, but onions are grown quite extensively throughout the Dominion. British Columbia reported acreage reduced from 1,937 acres in 1935 to 1,091 acres in 1936. Ontario reports a fair crop despite extremely inclement weather as the onion crop is grown chiefly on muck land or under irrigation. It is estimated that 3,000 acres were grown in Ontario. Quebec reported an increase of about 300 acres over the 2,300 acres planted in 1935. The 1936 curing season was relatively wet and farmers generally experienced some difficulty in field curing their onions. Stocks in storage are considered to be above normal, quality in many instances is considered to be excellent, and size ranges satisfactory.

Trading in onions during the fall months was slow, but higher prices are anticipated throughout the winter months. Yellow onions in October sold for 90 cents to \$1.25 per hundredweight at Toronto, as compared with \$1.35 to \$1.50 for the same period last year; and \$1.15 at Vancouver, as compared with 75 cents to \$1.15 a year ago.

Export Market.—Exports from Canada during the first half of the present fiscal year amounted to 58,687 bushels as compared with 99,359 bushels during the same period a year ago. An increased movement to New Zealand during the present season has been more than counterbalanced by the decline in exports to the United States, Newfoundland and the British West Indies. Small quantities are exported occasionally to the United Kingdom but generally price levels in that market are too low to attract Canadian exporters.

Importations of onions come from the United States, Spain, Egypt, New Zealand and Australia. The total imports from all sources during the fiscal year ending March 31, 1936, amounted to approximately 14 million pounds. Imports from Spain have fallen off sharply in recent months. A very large crop of onions was harvested in the United States and although wastage was heavy due to rain and frost damage, the market outlook is not encouraging.

COMMERCIAL PROCESSING OF FRUITS AND VEGETABLES

The development of the Canned Foods Industry has effected great changes in the relation of foods to seasons. Many fruits and vegetables are now obtainable at all seasons of the year with much of the original freshness and flavour. The producers are provided with a greater market for the products and the consumer is supplied with a cheap and wholesome food.

There are 577 plants operating under Dominion permit to enter export or interprovincial trade, with a total pack in 1935 of 1,583,214 cases of canned fruit and 9,241,575 cases of canned vegetables and 44·9 million pounds of jams and jellies. The trend of production over the past five years has been increasing for canned fruits and vegetables, while that of jams and jellies has been declining.

Canned Fruits.—Estimates of canned fruits for 1936 are not available for all products. Preliminary reports show a sharp decline in raspberries from 76,990 cases in 1935 to 41,086 cases in 1936. Strawberries also showed a decline of 19,000 cases. Cherries increased from 98,220 cases in 1934 to 185,447 cases in 1935, but will show a slight decline in the 1936 pack. Peaches advanced from 187,548 cases in 1934 to 434,593 cases in 1935.

Canned Vegetables.—The total pack of vegetables for 1936 was 9,241,575 cases compared with that of 6,045,732 for 1935 and the highest since 1930. The pack of asparagus was the highest on record, exceeding the previous record pack of 1935 by 37,529 cases. Peas declined from 1,988,383 cases in 1935 to 1,471,716 cases in 1936. The pack of tomatoes declined from 2,122,520 cases in 1934 to 1,609,309 cases in 1935. Figures are not available for 1936 but indications are that it will exceed the 1935 pack. Likewise tomato products such as puree, paste, and pulp will slightly exceed that of 1935.

Soups increased from 2,022,300 cases in 1934 to 2,084,850 cases in 1935. This product will also show an increase for 1936.

Frozen Fruits and Vegetables.—Spinach, beans, peas, asparagus, strawberries, raspberries and cherries were put up in frozen pack in 1936. This is mainly for restaurant and hotel trade. Shipments were made to Hong Kong and other eastern points. The 1936 pack of strawberries was 268,845 pounds; raspberries 239,040 pounds, and cherries 235,806 pounds, compared with 537,734, 129,652 and 142,000 pounds respectively in 1935. The pack of peas and asparagus in 1936 was 112,000 and 14,000 pounds respectively.

Export Markets.—The upward trend in the exports of canned fruits and vegetables which was in evidence in 1935 was again apparent in 1936. Total exports rose from 44,526,086 pounds in 1934 to 64,403,870 pounds in 1935. During the first nine months of 1936, exports amounted to 28,120,853 pounds as compared with 25,531,581 pounds during the same period of 1935. During the past three years the greatest increase has been in canned vegetables, particularly beans, tomatoes and tomato products. In 1936, the exports of beans rose to 6,510,647 pounds during the nine-month period as compared with 1,968,546 pounds a year ago. A decline in the export movement of pears was more than counterbalanced by an increase in apples and other canned fruits, and jams, jellies and preserves. The export of dried apples declined in 1935 but indications point to an increase during the past year. A further rise in the export of cider and fruit juices was in evidence in 1936. The principal market for these commodities is in the United Kingdom, which offers the greatest opportunities for expansion.

The general outlook for tomatoes and tomato products in the United Kingdom is somewhat less favourable than a year ago when importation from

Italy was prohibited. During the past autumn there has been a virtual stoppage of supplies from Spain as a result of the political situation in that country. Greater competition from Italy and Spain may be anticipated during the coming year, and it would appear that if the market in the United Kingdom is to be expanded greater attention must be given to the quality of the pack.

Other canned vegetables are little used in Great Britain, plentiful supplies of fresh vegetables being available the year round. The United Kingdom pack is also increasing and included asparagus, beans, carrots, beets, parsnips, turnips, leeks, potatoes, Brussels sprouts, celery, sea-kale, spinach, cauliflower, mushrooms and peas. The prospects for expansion in the trade from Canada appear to be slight. The use of canned new potatoes is a new development which should be of interest to canners in Canada.

The production of canned fruits in the United Kingdom has increased from 315,000 long cwt. in 1930 to 589,000 long cwt. in 1934, no more recent figures being available. The pack includes plums, raspberries, strawberries, gooseberries, cherries and loganberries. Imports of these fruits are relatively small and the greatest opportunity for Canada appears to be in pears and peaches although limited possibilities exist in the case of apples, cherries, loganberries and plums. The distribution of Canadian canned fruits in the United Kingdom is expanding steadily and provided quantity is available and prices are competitive an improved market outlook may be anticipated.

Brief mention may be made of the prospects for Canadian canned goods in other markets. In the West Indies, conditions point to a continuation of the upward trend of imports of various canned fruits, vegetables and soups. In South Africa domestic production is being fostered by the Government but a market exists for Canadian canned sweet corn and the grade of peas known as "petits pois." Opportunities for canned goods exist in the Orient but importers in these countries prefer to handle a full range of products, a factor which at present limits the possibilities of establishing agencies for Canadian firms. Greater exports of evaporated apples are to some extent contingent upon improvement in quality to meet the existing competition from the Oregon product.

SUGAR BEETS

Canadian sugar beet production is estimated at 569,000 tons as compared with 465,800 in 1935, an increase of approximately 22.1%. Although Ontario plantings decreased slightly from 38,500 acres in 1935 to 37,600 acres, production was estimated at 365,000 tons as compared with 327,000 tons in 1935. Alberta plantings exceeded those of 1935 by 4,400 acres and production increased by 47% to 204,000 tons as compared with 138,800 in 1935. Sugar beets are grown under contract between growers and manufacturers, the matter of price and acreage being arranged within the industry.

HONEY

For the fifth year in succession, the honey crop of Canada has been below average. Extreme drought extending over a period of six years in certain areas, and increasing in severity each year, was mainly responsible for the low crops. Severe winter losses of colonies during the winter 1935-1936 and a general weakening of those that did survive were partially responsible for the further reduction of the past season. Lower production was also recorded in some of those countries which are Canada's strongest competitors on the export market. The 1936 crop in England is reported as being an almost complete failure, this creates the possibility of an increased demand for Canadian honey in the United Kingdom markets. The amount of honey exported has held fairly constant although a slight decline was shown in 1936 in the amount sent to the United Kingdom. Prices remained fairly steady on the domestic market in spite of declining prices on the export market during the earlier part of the year. Since the advent of the new crop, however, prices have shown a decided trend upwards both at home and abroad.

Production.—The average production of honey in Canada for 1927-1931 inclusive, was 27·2 million pounds, while for the four years 1932-1935 the average fell to 22·7 million pounds with not a single crop of those four years reaching the average of 1927-1931. Final figures for the crop of 1936 are not yet available, but judging from the reports so far received, it will approximate the previous four-year average but will be considerably below that of 1935. The crop of 1936, however, was much superior in quality to that of 1935.

Drought conditions were mainly responsible for lowered average production. Throughout the Prairie Provinces dry weather has prevailed for the past six years, curtailing the supply of nectar. Parts of Ontario and Quebec have also suffered from the same conditions during the past three years, especially during the season just passed.

From the information available it would also appear that the honey crops of the United States and New Zealand were below average for the past season, while in England the crop was reported as being less than 25% of normal. Production figures for other countries, either Empire or foreign, are not at the moment available.

The average number of colonies reported by the six largest producing provinces in Canada for the past five years 1931-1935, inclusive, was 331,000. For 1935, however, the number reported was 356,000 colonies. During the past year, 1936, package bees to the value of \$175,815 were imported from the southern States as against \$166,123 in 1935 and \$149,161 in 1934. This indicates that in spite of reduced crops and low prices potential production is on the increase.

Markets and Prices.—The average amount of honey exported from Canada by crop years (August 1 to July 31) during the period 1929-30—1933-34, was 2,225,000 pounds, as against 2,301,000 and 2,228,000 for the crop years 1934-35 and 1935-36 respectively. Of these amounts, an average of 1,755,000 was sent to the United Kingdom, during the period 1929-30—1933-34 as against 2,200,000 and 1,781,000 for 1934-35 and 1935-36 respectively. The balance of the exports for the year ended July 31, 1936 went as follows: 430,000 pounds to the Netherlands as against 89,000 pounds in 1934-35: 8,000 to the United States and 9,000 to other countries. From August 1 to October 30, of the present crop year, 1,190,725 pounds have been exported. The United Kingdom is by far the most important export market for Canadian honey and as such should be studiously cultivated. The average production of the United Kingdom is

approximately 4 million pounds. With a crop of less than 25% normal, the demand for other Empire honey should be increased considerably. The total imports into the United Kingdom during the calendar year 1935 amounted to 7,171,200 pounds which is less than for any year since 1925. Of this amount 2,058,900 pounds came from foreign countries and 5,112,300 pounds from Empire countries. Of the Empire countries supplying this honey, Canada and Australia show a decrease as compared with the two previous years while all others, New Zealand particularly, show an increase. Australia has never been a serious contender for export markets, but during the past few years the number of colonies kept, has doubled and greater competition from this source may be looked for. A recent report indicates that some 15.6 million pounds of honey are being held in stock, and that the beekeepers are asking Government assistance to develop export trade. A grant of £1,500 has been made to the industry.

Under the terms of the Payments Agreement recently concluded with Germany foreign exchange is allocated for the purchase by German importers of Canadian honey up to a maximum annual value of \$20,000. The duty against such honey, however, is approximately 14.6 cents per pound.

The decline of exports to the United Kingdom has been accompanied by a serious decline in prices during the past three years. A report received from England during the earlier part of 1936 states that "during the past three years Canadian No. 1 White on this market has fallen from a high of from 50s to 60s per cwt. (112 lbs.) to as low as 35s." Shortly after the arrival of 1936 crop, however, prices took a decided movement upward and during the month of November reports of 48s per cwt. (112 lbs.) were received. Domestic demand and prices remained steady through the earlier part of the year but due to the low crop of 1936 the price movement has been decidedly upward during the fall months of the year.

MAPLE PRODUCTS

Despite adverse conditions during the early part of the maple season, and the partial or complete failure of the crop in various sections of the country, the total production of maple products in 1936 slightly exceeded that of 1935, largely due to the bountiful crop in the production centres of Quebec. Early runs of sap produced a crop inferior in both colour and flavour, but the bulk of the crop was of fair to outstanding quality. Prices showed practically no change over the previous year. Export demand has been good and shipments during the first six months of the fiscal year were slightly in excess of those in a corresponding period of the previous year. Drought conditions during the past summer over most of western Ontario may militate against high production in that area in 1937, but conditions in Quebec and the Maritime Provinces have so far been satisfactory.

Production.—The production of maple products in Canada in the 1936 season, expressed in pounds of sugar, is estimated at 29.5 million pounds valued at 3.7 million dollars as compared with 28 million pounds valued at 3.5 million dollars in 1935. Production of maple syrup dropped from 2.25 million gallons in 1935 to 2 million gallons in 1936, while the sugar crop showed an increase from 6.5 million pounds in 1935 to 9.2 million pounds in 1936. Of the total crop, Quebec produced 75.9%, Ontario 22.8%, and the Maritimes the remainder. The syrup and sugar produced early in the season was inferior in quality, both as regards colour and flavour. Later runs, however, developed products of fair to outstanding quality. The average prices reported were \$1.31 per gallon of syrup and 11 cents per pound for sugar. Exports for the year ending March 31, 1936, amounted to the equivalent of 6,108,599 pounds of sugar, the greater part

of which went to the United States. During the first six months of the fiscal year 1936-37, the equivalent of 3,554,658 pounds was exported, as compared with 3,199,658 pounds during the corresponding period of the year previous. During the past few months, the trade in maple products has been quite active and stocks are being liquidated at prices somewhat in advance of those quoted earlier in the season.

The crop in the United States in 1936 was considerably below that of 1935 and very much below the average for the period 1928-1932. The demand in Canada for maple products for domestic and export markets is quite strong and present indications point to an entire clean-up of the crop.

While lack of rainfall in western Ontario during the past summer may reduce the prospects for a heavy flow of sap in 1937, conditions throughout eastern Ontario and the Province of Quebec have been quite satisfactory, and, provided there is good snowfall during the winter and conditions are favourable during the tapping season, a crop at least equal to that of 1936 should be harvested. Indications point to an improving interest in this industry, and it is expected that many sugar groves in eastern Ontario and in New Brunswick will be tapped for the first time next season.

TOBACCO

The Canadian tobacco acreage in 1936 was approximately 8% above 1935. Extreme drought, delayed maturity and frost in south-western Ontario greatly reduced the yield of flue-cured tobacco. Burley and dark tobaccos were less severely affected by seasonal conditions. Continued improvement in the general economic position has favourably influenced the tobacco industry of Canada, as indicated by increased consumption of tobacco products and enlarged raw leaf exports. There has been close voluntary co-operation in Ontario between growers and buyers in the production and marketing of flue-cured and Burley tobaccos. Since stocks of domestic flue-cured tobacco, including the 1936 crop, are somewhat low, it would appear that a considerable increase in acreage above that of 1936 would reasonably satisfy the requirements of domestic manufacture, as well as replenish stocks of this leaf in both Canada and the United Kingdom, provided an average yield is obtained. The small flue-cured crop of 1936 probably will result in a reduction of exports in 1937. Stocks of Burley leaf are still a little high. A moderate increase in the Burley acreage for 1937 appears to be warranted. A slight downward tendency in the exports of Burley has been steadily in evidence since 1934; in spite of this condition an increase in Burley acreage appears to be warranted. Since cigar leaf stocks are at a relatively high level in relation to consumption, a reduction to the 1935 acreage will more nearly approach the requirements. Despite the fact that exports of cigar leaf to the United Kingdom have advanced during the past two years, it must be realized that this market for cigar tobacco is definitely limited. Present conditions indicate that the production of dark pipe tobacco should remain at about the 1936 level. Any reduction in the price paid for the 1936 crop of pipe tobaccos will indicate the advisability of a reduction in acreage.

Production.—The quality of the 1936 Canadian tobacco crop was variable, due particularly to unusual seasonal conditions in Ontario where flue-cured tobacco was most seriously affected. Although the tobacco acreage was increased about 40% during the past two years, it is now estimated that the total production of all types in Ontario will approximate only 34 million pounds on about

45,000 acres. The flue-cured crop suffered severely from both drought and frost and will be recorded as one of the lowest yielding crops ever produced in Ontario. Recent estimates indicate 23·5 million pounds on slightly less than 35,000 acres. Burley and dark tobaccos were less severely affected by seasonal conditions. The total Burley crop is estimated at 8·5 million pounds on slightly over 7,900 acres, with dark tobacco estimated at about 2·2 million pounds from 2,200 acres.

Recent estimates indicate an increase in tobacco production for 1936 in the province of Quebec. Total production of cigar tobacco in 1936 is estimated at 4·6 million pounds, which is a substantial increase above the 1935 crop of 3·5 million pounds. Approximately one-third of the cigar production was grown in the Southern district, where the quality, in general, was good. In the Northern district, however, only about half of the cigar crop was considered good enough for cigar manufacture. The large and small pipe groups are estimated at 3·5 million and 674,000 pounds compared with 2 million and 500,000 pounds, respectively, in 1935. About 53,000 pounds of flue-cured tobacco of fair quality were also produced.

In recent years tobacco production in British Columbia has gradually shifted to the coastal area, and at present is confined to the Sumas Prairie where about 90,000 pounds of flue-cured were produced on 125 acres. Although maturity was delayed, the quality in general was fair.

Leaf Stocks.—Holdings of imported leaf stocks in recent years have gradually declined. The most significant decline shown on September 30, 1936, was in the case of stocks of flue-cured, which stood at 5·8 million pounds compared with 8·5 million pounds a year previous. Domestic stocks have been more variable, and in this case stocks of flue-cured tobacco advanced from 28·1 million to 31·2 million pounds. Stocks of dark increased from 1·7 million to 2·1 million pounds, while stocks of Burley, cigar leaf, small pipe and large pipe tobaccos remained relatively constant. Stocks of flue-cured now stand at approximately the same figure as in 1931.

At the present rate of disappearance for domestic manufacture and export, domestic flue-cured stocks, including the 1936 crop, represent a supply of about 1·8 years; Burley 2·6 years; dark 2·3 years; and cigar leaf 3·6 years. It appears therefore, that stocks of cigar leaf still remain high compared with somewhat low stocks of flue-cured, reasonable stocks of dark and slightly high stocks of Burley. Supplies of each type above 2·5 years are regarded as high.

The Domestic Market.—The marketing of the 1935 flue-cured and Burley tobacco crops proceeded on an orderly basis, to the general satisfaction of both growers and buyers. With certain modifications, the general principles applied in 1935 were incorporated in buyer-grower negotiations for the 1936 crop. As a result the acreages of these types were reasonably controlled to adjust supply to probable demand.

The upward tendency in the total consumption of tobacco products, except plug and cigars, continued in 1936. Withdrawals for consumption during the nine-month period ending September 1936, compared with the same period in 1935, indicate about 5% increase for cut tobacco and cigarettes, compared with declines of 8% and 2·3% for plug and cigars. Snuff advanced only 1·6%.

The proportion of domestic leaf in manufacture has been rising gradually since 1931 at the average rate of approximately 6% per year. Although a short crop of flue-cured tobacco was produced in 1936, with reasonable old stocks of domestic leaf on hand, no appreciable increase in the amount of imported leaf used in Canada is anticipated in 1937.

The Export Market.—The United Kingdom continues to be the most important export outlet for Canadian tobacco. During the nine-month period ending September 30, 1936, a total of 8,419,155 pounds was exported to that market out of a total export of 8,969,196 pounds. These figures compare with 6,023,885 and 6,549,527 pounds, respectively, for the same period in 1935. The chief increase in total exports has been in the flue-cured type, of which 5,617,135 pounds were exported as compared with 3,566,074 pounds, and in the dark type 956,580 pounds were exported as compared with 570,229 in 1935.

The increased movement in flue-cured was largely due to the high quality and yield of the 1935 crop, together with a steadily growing demand for the Canadian product for use in cigarettes in Great Britain. Heavier than usual purchases were made by the British manufacturers in anticipation of a growing demand, and in addition a considerable number of small firms commenced using Canadian leaf. The growth in exports would therefore appear to be on a more sound basis than was the case a few years ago, when an increase followed the stimulus provided by the sale of premium bearing cigarettes. It must also be borne in mind that there has been a notable upward movement in the total consumption of tobacco in the United Kingdom. During the first eight months of the present year withdrawals for home consumption amounted to 114.1 million pounds as compared with 107.6 million pounds for the same period in 1935.

The small crop of 1936 will probably result in a decrease in exports during the present year. Stocks in Great Britain, apparently, are sufficiently large to enable manufacturers to continue the use of Canadian flue-cured at the same rate of increase as obtained in 1936. An enhanced export for the 1937 crop may be reasonably anticipated, provided that quality and price are satisfactory.

The growth of exports of dark tobacco continues, especially in those types suited to the West African market. During the period January to September, 1936, a total of 421,601 pounds went to that market as compared with 366,970 pounds and 31,564 pounds for the corresponding months of 1935 and 1934 respectively. Present indications are that further increases may be expected.

A downward tendency in the export of Burley has been in evidence since 1934, exports for the nine-month period having declined from 2,677,336 pounds in that year to 2,007,802 pounds in 1935, and again to approximately 1,829,793 pounds in 1936. The 1934 level was somewhat higher than the average, and United Kingdom buyers are apparently reducing their stocks. There is no indication of a probable increase in demand for this type.

Exports of cigar leaf, principally to the United Kingdom, amounted to 47,162 pounds during the nine months ending September 30, 1936. Comparable figures for 1935 are not available, but during the six months April to September, 1935, only 1,926 pounds were exported in comparison with 36,024 pounds during the same period in 1936. The continued growth of this trade is most desirable but owing to the small size of the British cigar industry and its essential conservatism, no rapid expansion may be expected. It is most important that cigar leaf producers and packers make every effort to improve the quality of their product if this outlet is to be further developed.

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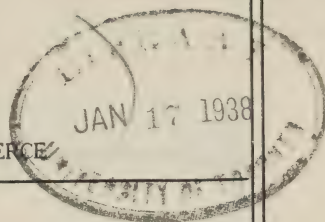
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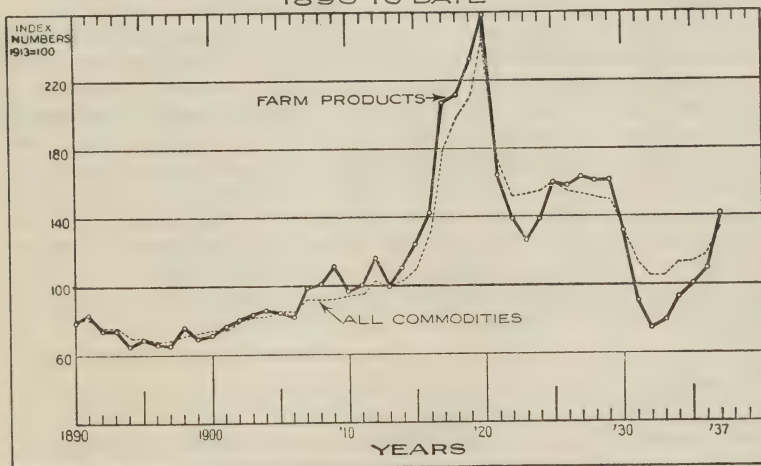


THE AGRICULTURAL SITUATION AND OUTLOOK

1938

(Prepared November, 1937)

WHOLESALE PRICES OF CANADIAN FARM PRODUCTS
AND
WHOLESALE PRICES OF ALL COMMODITIES, BY YEARS
1890 TO DATE



Published by Authority of

The Honourable James G. Gardiner, Minister of Agriculture

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The Honourable W. D. Euler, Minister of Trade and Commerce
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FOREWORD

IN the following pages an attempt is made, as another season comes to a close, to appraise the agricultural situation, and within limitations to suggest what lies ahead. This is the period of the year when farmers and many other people look to the future of Canadian Agriculture, and make their plans accordingly. It is hoped that this report will be of assistance in this connection.

While major interest will doubtless centre in the individual commodity reports, most farmers appreciate that the outlook for a particular product depends to a large extent upon general conditions in Canada and abroad. For this reason the commodity reports are prefaced by sections dealing with factors in the domestic and international trade situation likely to affect the demand for Canadian farm products.

An effort has been made to bring together all available facts bearing upon the production and marketing of the products under review, and to analyze these facts in the light of previous experience. Where the analysis has been projected into the future, and where forecasts occur, they are based on the assumption that normal developments will not be interrupted by unexpected disturbances or unpredictable changes in policies. It should be recognized too that in the case of some products limited information only is available. For this reason it has not been considered desirable to attempt forecasts in every instance. Since additional information regarding particular products is available throughout the year, readers of this report are advised to obtain such data from Dominion and Provincial Departments of government.

This report was prepared by the staff of the Departments of Agriculture and Trade and Commerce of the Dominion Government, assisted by representatives of the Colleges and Departments of Agriculture of seven provinces. Copies may be obtained free of charge from the Publicity and Extension Branch, Dominion Department of Agriculture, Ottawa, or from the Director of Publicity, Department of Trade and Commerce, Ottawa.

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SUMMARY

The Agricultural Outlook for 1938 is dependent to a large extent on the current features of Domestic and Foreign Demand. These may be classified briefly as follows:—

The Domestic Situation

Favourable Features

1. Business conditions showed a marked improvement in the first half of 1937 and this was well maintained in the third quarter.
2. The Dominion financial structure showed improvement in 1937 over 1936.
3. The Canadian banking situation remains strong. Deposits are larger and long-term interest rates remain favourable to the borrower.
4. The rise in farm product prices was greater than in any other group and the index compared favourably with those of the other groups for the first time in eight years. It is not expected that this relationship will be seriously disturbed during 1938.
5. Employment showed material improvement in 1937 over 1936 and relief rolls were reduced.

Unfavourable Features

1. The rapid rise in costs, in addition to external influences, has caused business hesitancy which may continue into 1938.
2. Wholesale prices and common stock prices declined in the latter part of the year.
3. The accumulation of world stocks of certain raw materials has been resumed after reaching a low point in 1936.

International Trade Conditions

Favourable Features

1. World trade, from the standpoint of volume, almost regained the level of 1929.
2. There has been some progress in the reduction of trade barriers.
3. Foreign exchanges have been relatively stable.
4. Foreign demand for agricultural products in 1938 is expected to be about equal to that of 1937 although reduced production will curtail total exports of farm products from Canada.

Unfavourable Features

1. Trade in foodstuffs failed to show the recovery evidenced in mineral and non-food products.
2. The upward tendency in prices generally was halted in April, 1937, and the trend has been downward since that time.
3. Business activity showed signs of slowing up in the latter months of 1937.
4. Costs of ocean shipping have risen and may have considerable influence on the types and amount of trade in agricultural products.

Some of the important features of the Situation and Outlook for individual commodities follow:—

Grains

Wheat

1. The slightly higher 1937 world wheat crop was almost offset by a reduction in world stocks.
2. Supplies in normally importing countries are greater and a lower volume of international trade is in prospect.
3. Supplies in exporting countries are only moderately in excess of import requirements and prices are expected to rule around their present levels until 1938 crops can be appraised.
4. World wheat acreage remains at an abnormally high level, and should normal yields occur in both importing and exporting countries, prices would be expected to go lower as surplus stocks increased.
5. It is vital for Canada to have sufficient supplies of wheat to offer continuously on world markets, and it is evident that the probable crop on a wheat acreage similar to that sown in 1937 could be absorbed without difficulty.

Durum Wheat

1. World stocks of durum wheat are plentiful this year in contrast to short supplies during 1936-37.
2. Prices of durum in 1937-38 have been at considerable discount from prices of hard red varieties.
3. Considerable shifting from durum wheat to new rust-resistant varieties is expected, but in the main producing areas the maintenance of acreage is considered advisable.

Oats

1. There was a slight increase in the production of oats in Canada in 1937.
2. Reduced carryover stocks at the beginning of the year resulted in lower total available supplies.
3. A succession of poor crops has depleted reserves and emphasizes the necessity of building up adequate stocks to provide against years of scarcity.

Barley

1. Although 1937 production was only slightly above that of 1936, reduced demand from the United States has resulted in lower prices.
2. It is expected that total barley supplies in the spring of 1938 will be lower.
3. Barley acreage in 1938 is expected to be about equal to that of 1937.

Rye

1. Although the 1937 production of rye was 34 per cent more than in 1936, it was still below the five-year average 1930-34.
2. A large reduction in carryover stocks resulted in total supplies more than a million bushels below those of the previous crop year.

Flax-Seed

1. With a small crop in 1937 total available supplies are approximately one million bushels below a year ago.
2. Canada imports about one million bushels of flax-seed annually, chiefly from Argentina.
3. An increased acreage in those areas where flax can be grown successfully may be justified.

Seed Grain

1. Seed grain supply in the Prairie Provinces will be short for 1938 seeding, unless the required quantity of seed is obtained early.
2. British Columbia and Eastern Canada should have a sufficient supply of grain for 1938 seeding, although some local distribution may be necessary.

Clover, Alfalfa and Grass Seeds

1. The total crop of red clover and alsike seed in 1937 was the smallest for several years, and importations are necessary.
2. The total supply of alfalfa seed was increased, particularly in Manitoba and Saskatchewan, creating a supply for export as well as domestic requirements.
3. The higher prices of 1936-37 obtained for most seeds were due mainly to export demand, particularly from the United States.

Feed Situation

1. Total feed grain supplies for 1937-38 are below average and slightly below 1936-37. However, prices are lower as a result of reduced export demand and greater supplies in the United States.
2. With higher live stock prices, the relation of these prices to feed grain prices is more favourable than in the previous year.
3. Production of tame hay and fodder was greater in 1937 than in 1936.
4. Canadian feed grain supplies and hay supplies for 1937-38 are of below average quality.
5. A considerable movement of feed supplies from surplus to deficit areas will be necessary during the 1937-38 season.

Live Stock

Beef Cattle

1. The beef cattle production cycle has reached its peak and a downward trend in total supplies may be expected for the next three to four years.
2. Total demand for meats may not be as high in 1938 as in 1937, but smaller supplies of pork may sustain the demand for beef and veal.
3. It is expected that the United States will provide a good market for several years.
4. Heavy marketings of fed cattle may cause prices to decline early in 1938, but more stable prices should result later on.
5. The United Kingdom market shows improvement and may provide a substantial outlet in the spring of 1938.

Hogs

1. The commercial hog output of 1938 will be smaller than that of 1937. The decline will be most pronounced in the Prairie Provinces.
2. The feed-hog ratio at the close of 1937 was favourable for the breeding of hogs.
3. Exports of pig products during 1937 exceeded those of 1936 and recorded the highest movement to the United Kingdom since 1920.
4. Exports in 1937 represented 40 per cent of the Dominion hog production.

Horses

1. A further decline in the estimated number of horses on farms in Canada was indicated on June 1, 1937.
2. An increase in the prices of horses occurred in 1937 and this movement may continue into 1938.
3. Shipments of horses from Western to Eastern Canada in 1937 exceeded those of 1936 by 4,000 head.

Sheep and Wool

1. Sheep production in 1937 shows a slackening of the decline which has been continuous since 1932.
2. The price of lambs has been high during the past two years and this is expected to continue, particularly for well-finished lambs of correct weights.
3. The price of wool during the fall months of 1937 was adversely affected by a slowing up in the manufacture of textile products.
4. Indications are that world supplies of wool in 1938 will be somewhat larger than in 1937.

Poultry and Eggs

1. Egg production during the first ten months of 1938 will probably be no higher than that of the same period of 1937.
2. Indications are that egg prices may be slightly higher in 1938 than in 1937.
3. Approximately 99 per cent of the Canadian egg production is consumed in Canada.
4. The poultry market in 1937 showed a distinct improvement over 1936. Exports of live and dressed poultry increased.
5. Prices of poultry in 1938 should, for the most part, be comparable with those of 1937.

Dairy Products

1. Total milk production in Canada has shown a steady increase for several years.
2. Prices were higher in 1937 and the value of dairy production was the greatest recorded since 1930.
3. Butter stocks are low at the beginning of 1938 and prices are expected to average higher during the early part of 1938.
4. Cheese production in 1937 reached the highest level since 1928. Exports were increased and prices were higher.

Fruit

Apples

1. Reduced plantings from 1925 to 1934 will probably influence production in the next few years.
2. The 1937 crop of 5·0 million barrels was one of the largest on record. The increase was general in all producing provinces.
3. Recovery of apple trees in Ontario, Quebec and British Columbia from recent winter injury has been more rapid than expected.
4. Prices for the 1937 crop have been a little lower than in 1936, but it is expected the gross income will exceed that from the 1936 crop.

Peaches

1. There were sharp increases in peach tree plantings during 1936 and 1937.
2. The 1937 crop was 49 per cent above that of 1936.
3. New early varieties have advanced the main production period of peaches.

Other Fruits

1. Pear tree plantings have been increasing since 1933.
2. The 1937 grape crop was 40 per cent above 1936, but decreased plantings indicate a future falling off in production.
3. The cherry crop was below average in 1937 for the third successive year.
4. Strawberry production was sharply higher in 1937.

Potatoes

1. Potato acreage in 1937 was 7 per cent above that of 1936. Production increased by 4·7 million bushels.
2. Returns during the early part of 1937-38 indicate that average prices will be lower than in 1936-37.
3. There was a 45 per cent increase in the acreage inspected for seed certification in 1937. It is anticipated that this acreage will show a further increase in 1938.
4. Export demand for certified seed has been brisk.

Honey

1. The honey crop in Canada was below normal in 1937.
2. The capacity for production is steadily increasing in Canada.
3. Prices on both domestic and export markets have shown a decided trend upwards in recent months.

Tobacco

1. Production of tobacco amounted to 71·4 million pounds in 1937 compared with 43·2 million pounds in 1936. The increase was chiefly in the flue-cured type.
2. Stocks of flue-cured tobacco on September 30, 1937, were low but those of other types were about normal.
3. Heavy purchases of flue-cured tobacco were made by the United Kingdom from the 1937 crop, chiefly for replenishing depleted stocks. A slow, steady increase in this demand is expected.
4. Little change in the export demand for Burley is expected but continued growth in the export of specially-prepared dark tobacco to West Africa seems likely.

THE DOMESTIC SITUATION

Business conditions in the first half of 1937 showed marked improvement over 1936 and were maintained remarkably well up to the end of the third quarter in spite of industrial recessions and uncertainties beyond the Canadian border. The improvement in the Dominion financial structure, the strong banking situation and the backlog in the building industry places the country in a strong position to move forward. However, there is hesitancy due to a rapid rise in costs, in addition to external influences which indicate a decline in business activity in the last quarter of 1937 and which may continue into the early part of 1938. The rise in farm product prices during 1937 was greater than in any other important commodity group. As a result, farm product wholesale prices compared favourably with those of other groups for the first time in eight years. It is probable that a substantial part of this recovery in prices will be maintained and that relationships between agricultural and non-agricultural prices will not be seriously disturbed during 1938.

Business Conditions.—Considered in terms of the volume of business operations, Canada enjoyed an encouraging measure of prosperity in 1937. A marked betterment was shown over the preceding year and the levels of 1929 were nearly regained. However, after a particularly active first quarter, several developments indicate that the average rate of business activity during 1937 will not be maintained in the early part of 1938. The weakness in wholesale and in common stock prices, such as was evident during the latter part of 1937, is a traditional signal of recession in business activity. World stocks of primary commodities which had reached a peak in 1932 were reduced to reasonable levels by 1936. Recent production of certain industrial raw materials, however, has exceeded the demands of consumers and in some lines the accumulation of world stocks has been resumed. The turning point in this respect was reached about midsummer. While a portion of the brisk demand in the early part of the year was of a speculative nature, the alteration in the supply situation partly justified the decline in wholesale prices since August.

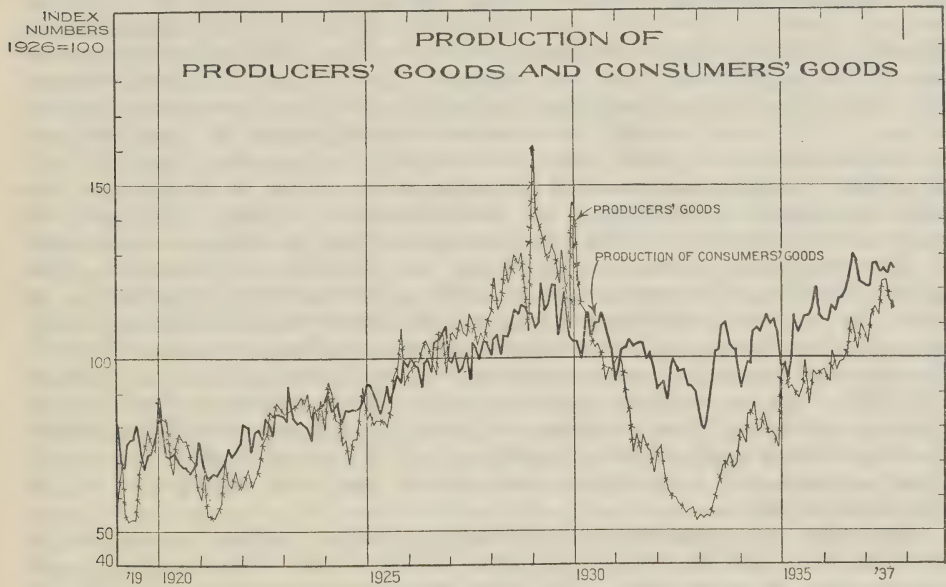
As this statement was prepared before information for the full year was available, most of the comparisons are based on figures for the first nine months of 1937, against the same period of the preceding year.

Manufacturing operations gathered momentum during the year, the output having been almost equal to that of 1929. The gain over the preceding year was nearly 11 per cent, indicating the extensive nature of the recovery. Employment in manufacturing plants also recorded decided improvement, the returns from the principal firms registering about the same gain as the index of production.

While the manufacture of flour dropped 11 per cent and sugar 6 per cent below 1936, the meat-packing industry was more active, hog slaughtering rising 16 per cent. Dairy production recorded a slight gain, the expansion in cheese production offsetting a decline in butter. The imports of raw textiles, indicative of conditions in the textile industry, increased despite the occurrence of strikes which temporarily held up operations in a number of plants. The imports of raw cotton showed a gain of 11 per cent and employment in textile plants of various kinds advanced 7 per cent.

Newsprint mills were operated at near capacity levels, the output reaching a new high point. The export of planks and boards recorded a gain of 18 per cent and the rise of 40 per cent in the value of construction contracts awarded indicates increased demand in the domestic market. The primary iron and steel industry was particularly active in 1937 as other industrial countries were concentrating on rearmament and plant expansion, thus leaving the domestic market largely to Canadian companies. Steel ingot production rose by nearly a third over the preceding year, exceeding all other post-war records except 1929. The production of automobiles increased 29 per cent, an encouraging sign of betterment in purchasing power. The steady gain in imports of crude petroleum signified a more active year for the oil industry, and the manufacture of tires was on the up-grade.

As a metal producing country, Canada was favoured by the keen demand which developed in external markets during the early part of the year. The output of nickel, copper, lead and zinc rose to a new maximum, adding greatly to the prosperity in the several mining districts concerned. Prices were high



From 1929 to 1933, the greatest declines in production were in the industries producing durable goods such as machinery, building materials, railway equipment, etc. The production of goods for consumption, such as clothing and food, did not decline to nearly the same extent and returned more quickly to the 1929 level. While the production of producers' goods has recovered, relative to consumers' goods it was still below pre-depression levels in 1937.

during the first quarter, but marked reaction occurred in the later part of the year, implying that supplies had outstripped requirements. The gold mining industry expanded rapidly and coal mining, in which large numbers are employed, was more active than in 1936.

The use of electric power increased about 10 per cent above the preceding year, mainly reflecting greater industrial demand. The power industry has shown marked expansion throughout the post-war period and the upward trend was continued during 1937. A part of the increased sale of power has been due in recent years to the considerable extension of power lines into rural areas. The construction industry obtained a much greater volume of new business in 1937 than in the preceding year, but the level of operations was

still out of line with most other groups. The recovery in residential building has been retarded in the last eight years and consequently a large backlog has accumulated. Contemplated contracts were reported at \$329,000,000 in the first nine months against \$211,000,000 in the corresponding period in 1936.

Owing to the marked degree of mutual dependence existing between industry and the railways, the operating and financial records of the latter present a measure of industrial activity. Railway traffic showed a considerable increase over the preceding year. The gain in car loadings was 8 per cent, the total in the first 42 weeks having been 2,129,000 cars against 1,965,000 in the same period of 1936. The deficit in the grain movement was 73,000 cars. Coal and coke also recorded declines, while the other eight groups showed expansion. An encouraging feature was the gain of 124,000 cars or 27 per cent in the movement of miscellaneous commodities consisting mainly of manufactured products. Forestry products, such as pulpwood, pulp and paper and miscellaneous wood products, were moved in much greater volume.

Employment in industrial pursuits affords a good indication of the demand for farm products. Employment in Canada during 1937 was only slightly below the pre-depression level of 1929. The gain of employment in manufacturing plants unaffected to any important extent by relief measures has continued without appreciable interruption since May, 1933, when the turning point of the employment cycle was reached. Contributing to the advance of 1937, most of the principal industries recalled their working forces in considerable numbers. The mining industry recorded an average gain of 13·5 per cent over the first ten months of 1936, the acceleration in metal-mining being of large proportions. Logging advanced 35 per cent, while a gain of 25 per cent was shown in highway construction. An average increase of over 4 per cent was registered in the number of employees engaged in trade of different descriptions.

The number in receipt of direct aid was 854,000 in September, 1937, against 956,000 in the same month of 1936. This decrease of nearly 11 per cent in the relief rolls represents a long awaited improvement in the unemployment situation, directly affecting all governmental budgets throughout Canada. The estimated number of wage-earners unemployed was in the neighbourhood of 240,000. Due to another crop failure over a large section of the West, the relative proportion of those receiving aid in the drought area showed an increase. The proportion of trade unionists unemployed at the end of August (8 per cent) showed considerable improvement over the 11 per cent unemployed at the same time in 1936.

Not only had employment at the first of October reached a peak for the last eight years but the purchasing power of the worker was raised by a considerable gain in wage rates. The index prepared by the Dominion Department of Labour, which was 178·6 in 1936 on the 1913 base, showed a further rise in 1937. No adjustment is made for changes in population, but the proportion of unemployables is not so large as in 1929. From the standpoint of volume the purchasing power of wage-earners is being curtailed by the further rise in the cost of living, which was 2·7 per cent higher in 1937 than in the preceding year. The purchasing power of consumers has been stimulated by the continued advance in dividend payments, which have been unofficially estimated at more than \$302,000,000 as against \$261,000,000 in 1936. This is the highest distribution in our history. Despite reduction in coupon rates through refunding, interest payments showed a slight gain over the preceding year, the amount in the first ten months of 1937 having been \$346,800,000 against \$333,800,000 in the corresponding period in 1936. The position of Dominion Government finances cannot be overlooked in appraising the general domestic situation. The surplus on total account at the end of October showed a favourable balance of substantial size compared with a deficit at the same time in the previous year.

The index of retail sales is another barometer of the position of the consumer. The index advanced 8·5 per cent over the same period in 1936. Significant advances were shown in the purchases of clothing, drugs, furniture, groceries and meats, music and radio, and variety goods. The index of retail prices advanced only 2·7 per cent over the similar period in 1936, indicating an increase in volume of about 5 per cent. Improvement in the purchasing power of the people is also reflected in Dominion receipts of sales and excise taxes which, in the period April 1 to September 30, 1937, showed an increase of 29 per cent over the corresponding months in 1936.

The demand for Canadian farm products is affected considerably by tourist purchases. The value of this trade reached its highest point in 1929 when the estimated expenditures of tourists from other countries amounted to about \$309,000,000. Recovery has been rapid during the last two years and it is expected that the value of our tourist trade will soon surpass pre-depression levels. An estimate based on the number of motor cars entering this country during the season of 1937 indicates a gain of 15 to 20 per cent over the revenue from this source reported at \$255,000,000 in the preceding year. This statement is based on the assumption that the average expenditure per car was the same as in 1936.

In attempting an appraisal of the prospects for 1938, the banking situation should not be overlooked. The deposits in the chartered banks are larger than in any previous year and long term interest rates as determined from bond prices remain favourable to the borrower.

While the progress in industrial production during the earlier part of 1937 was satisfactory, it is not to be assumed that the upward trend will necessarily be maintained, indeed a slight recession was apparent during the last quarter. The decline in wholesale and commodity prices in recent months has already had an adverse effect on economic conditions generally. Grain marketings will be reduced and freight and ocean shipments curtailed by the lower than average grain crops in the main producing sections of the West.

The marked trade expansion of recent years was partly dependent upon external demand and Canada as the fourth largest exporter is profoundly affected by conditions abroad. Some reversal in the business conditions of principal countries was evident during the latter half of 1937. The slackening in demand from Great Britain and the Far East for lumber and the decline in base metal prices will react on Canadian industry. Industrial production recorded a decline in the United States during the later months of the year and purchases of Canadian goods may not be maintained in such large volume in the near future.

Agricultural Prices.—An unbroken advance of over 40 per cent in farm product wholesale prices during the ten months ending March 1937 materially changed the position with respect to non-agricultural product prices. Reactions have since reduced this figure to less than 35 per cent and the commodity price structure in the final quarter of 1937 remains uncertain. It is probable however that a substantial part of this recovery in prices will be maintained and that relationships between agricultural and non-agricultural prices will not be seriously disturbed during 1938. Grains, particularly wheat and rye, were mainly responsible for the improved price of farm products, although considerable strength developed in cattle markets during the summer months of 1937. The sharp advance for grains has restored approximately the balance that existed between field and animal products before the depression, and in October 1937 the price index of both field and animal products was 86. In May 1936, before prices started to move upward, the field product index was 60 and that for animal products 73. Prices for all grains with the exception of oats and flax showed averages in the first ten months of 1937 on a par with

or above those of 1928-29. The same was true of cattle and wool although most animal products remained substantially lower. Prices for tobacco, eggs, butter and hogs were still 30 to 40 per cent below those prevailing before the long decline which commenced in 1929.

The rise in farm product prices during the past year was greater than for any other important commodity group. As a result farm product wholesale prices now compare favourably with those in other groups for the first time in eight years. That is to say, when prices for farm products are considered together as a group, they are as high relative to other prices as they were in 1929. Prices generally are still about 15 per cent below 1929 levels but this is less important than the fact that farm products will again exchange for the same quantities of other goods as in the prosperous years preceding 1930. The October 1937 wholesale price index number of Canadian farm products at 86 was on a slightly higher level than the following indexes for other wholesale price groups in that month; general wholesale prices 85; consumers' goods 81; fully and chiefly manufactured goods 81. The farm product index was also higher than a series for retail prices at 80. The index of retail prices of food in October 1937 was 79 compared with 75 in October 1936.

Farm Real Estate.—Average farm land values for all Canada at the beginning of 1936 were 65 per cent of the average value reported in 1914. As a result of the rise in prices of agricultural products during the Great War, farm land values reached a peak of 30 per cent above pre-war values in 1920. From 1921 to 1929, the general trend was downward with average land values about the same as in 1914. From 1929 to 1934 average land values declined 38 per cent, and since 1934 have shown a slow and hesitant recovery.

While the wholesale prices of farm products have regained a position comparable with wholesale prices of other commodities, recovery in land values has been retarded by a number of limiting factors. One of the chief of these has been the successive droughts in the Prairie Provinces. Further, the net returns from farming have been low because of the unfavourable relationship between the prices of products sold and prices of materials used in production. While this disparity has largely been overcome, many items of farm expenditure remain high. Recovery in land values therefore will be slow, and will depend upon an increase in prices of farm products relative to other prices and an increase in the physical output of agriculture.

It should be pointed out that there are wide regional differences in the level of farm land values relative to 1914. Land values in the Maritime Provinces are reported as slightly above pre-war, but in Quebec and Ontario they are 81 per cent of the 1914 value. Farm land values in the Prairie Provinces are 61 per cent of those of 1914 and in British Columbia only 40 per cent.

Farm Taxes.—Data available do not permit an accurate appraisal of the farm tax situation. Rates have been raised in some areas, and lowered in others, while in some districts the rate has been reduced but the assessment raised with the result that the income has remained approximately unchanged. The ability to meet payments varies greatly, particularly in Western Canada. Farmers in the areas affected by crop failure have been unable to meet tax payments, while in other areas, payments have been delayed. On the whole, collections are probably better than a year ago.

Farm Labour.—Wages of farm labour have been increasing since 1933, when they reached a low point in a very sharp decline from 1929. They increased sharply in 1936 and again in 1937. A further increase may be expected in 1938 as there has been a general upward trend of industrial production and diminishing unemployment.

Farm Machinery.—There has been little change in prices of the general line of farm implements since the increases put into effect in January 1936. In the spring of 1937 there was some upward revision of tractor prices.

Prices of steel and iron rose steeply in the first half of 1937 and have since shown no tendency to decline.

Building Materials.—For October, 1937, building and construction material prices were 11 per cent higher than for October 1936. Wholesale prices of lumber, after rising sharply through the latter part of 1936, reached a peak in April 1937, but since then have declined. In October 1937 they were 5 per cent above October 1936. Because of crop failures and the low prices for farm products experienced during the past seven years in the Prairie Provinces, repairs and replacements of buildings have been postponed. The demand for lumber for repairs and replacements will be particularly heavy when good crops and remunerative prices coincide in the Prairie Provinces.

Fertilizers.—Prices of fertilizer during 1937 were relatively stable at about 75 per cent of the average prices for 1926. They have not changed materially during the past four years, but there has been an appreciable increase in sales from 166,000 tons in 1933 to 234,000 tons in 1936. A further increase in the amount sold is expected for 1938, with a likelihood of a small advance in price.

Farm Income.—Some reduction in the income from the sale of hogs and beef cattle during the first half of 1938 as compared with the average of 1937 is likely, owing to the possibility of some decrease in prices. Little change is expected in the income from the sale of sheep and wool. Because of more abundant supplies of feed in certain areas and prospects that prices for dairy products will not be any lower than those of 1937, it would appear that dairy-men may expect as good returns in 1938 as were obtained the previous year. The total value of the entire spring wheat crop, a part of which will be marketed during 1938, is likely to be lower than that for the crop of 1936, and because a larger proportion of the 1937 crop must be retained for seed, the income from the sale of this crop is likely to be considerably lower. The cash income of farmers in the areas producing fall and durum wheat will be higher, but the income from barley will be lower. It would appear from the present outlook that the income from the sale of poultry products in 1938 probably will not be very different or only slightly higher than that received in 1937. Heavy gales in the Annapolis Valley of Nova Scotia in the autumn of 1937 caused severe losses to apple producers, which probably will mean reduced incomes in that area, but the large total production of the Dominion and the favourable export market situation are expected to result in a higher gross income from apples produced in 1937 than was obtained from the sale of the 1936 crop. Although the Canadian potato crop of 1937 exceeded that of 1936 by approximately 4.5 million bushels, prices are so much lower that the income of potato producers from the 1937 crop will undoubtedly be lower than that obtained from the crop produced in 1936. As a result of small crops of honey, red clover and alsike seed in 1937, the income from these products will be somewhat lower than that obtained in the previous year. The income of producers of tobacco, on the other hand, will be substantially higher than that received from the sale of the 1936 crop.

INTERNATIONAL TRADE CONDITIONS

While from the standpoint of volume world trade in 1937 had almost regained the levels of 1929, the increase was largely in mineral and non-food products. Relative to pre-depression years, world trade in food products is still below normal. However, with some progress in the reduction of trade barriers and stabilization of foreign exchange, trade in general, including food products, has been stimulated. Although prices generally rose through the early months of 1937, a downward tendency has been evident since April. Business activity in many countries showed improvement during the first half of the year but there was some indication of a slowing up in recent months. While foreign demand for agricultural products in 1938 is expected to be about equal to that of 1937, reduced production will curtail the total exports of farm products from Canada. Greater exports of agricultural products from the United States and Russia to Central Europe are expected. Costs of ocean shipping have risen and may have considerable influence on the types and amount of trade in agricultural products.

World trade increased in both volume and value during 1936 and the first half of 1937. For the year 1936 the volume of world trade was 85.9 per cent of the 1929 level. The 1937 index rose to 92.8 per cent in the first three months and to 98.3 in the second quarter. This increase in volume coincided with a rise in prices, particularly in the case of raw materials.

The character of the recent growth in international trade has been influenced particularly by rearmament programs. Thus there has been a pronounced gain in the movement of raw materials of mineral origin. The improvement in international trade in foods has been slow and increases in the first half of 1937 were largely the result of crop shortages. Germany, Italy and the United States were importing greater quantities of foodstuffs in the first half of 1937, but this condition was temporary rather than indicative of a change in national programs. European trade policies remain subject to the strong influence of political and other non-commercial factors. Although several advances have been made in the actual removal or reduction of restrictions on world commerce, in general trade barriers remain high.

Higher prices and increased export trade have led to notable improvement in the financial position of countries producing raw materials. The enlarged purchasing power of such countries is providing in turn an active and extended potential market for the products of industrial nations. The decline of industrial activity in the United States in recent months has been a decidedly unsettling factor, but world industrial production, excluding the United States, is being maintained at a very high level. Although but limited headway has been made in the removal of the emergency trade restrictions so widely adopted during the depression period, some of the most important factors leading to their adoption have now largely disappeared. The factor of monetary instability has greatly diminished in importance. Similarly, the rise of world prices has eliminated to a considerable extent the severe price competition which, particularly in the case of foodstuffs, resulted in the various measures adopted by importing countries to protect domestic producers.

Prices and Exchange.—Commodity prices in practically all countries advanced sharply between June, 1936 and April, 1937. The main increases occurred in prices of raw products, particularly in grains, nickel, copper, lead

and zinc. During April and May, prices turned downward and since that time price fluctuations have been rather spasmodic and uncertain, with wholesale price levels in most countries again making hesitant recovery. Living costs have not yet reflected the full extent of increases in wholesale prices, but in some countries retail prices have risen sufficiently to threaten living standards of wage-earners. As a result, there has been a revival of price control agencies, especially in Europe, to offset this trend. This is in marked contrast to the persistent efforts still being made by other agencies to maintain price levels of raw materials.

Higher prices for commodities have had a direct bearing upon foreign exchange movements. There has been marked improvement in currencies of countries whose exports are predominantly primary products, particularly in South America. However, this improvement has not stimulated a revival of the long-term international lending which contributed greatly to the flow of international trade prior to the depression. Although the release of frozen credits which has resulted must be viewed as a constructive development in the long run, the immediate result may have been to increase the amount of funds seeking employment in the security markets, particularly in the United States. Movements of these funds affect foreign exchanges, and have been an important factor in the repeated breaks in the exchange value of the French franc which is currently much below the devaluation limit established in October 1936. Apart from weakness of the franc, however, there have been no major changes in foreign exchange parities during 1937. The monetary agreement between Great Britain, France and the United States has aided in achieving a measure of exchange stability. Canadian quotations on the United States dollar have varied only fractionally from par, while sterling has remained firm between \$4.90 and \$5.00.

Trade Barriers.—World trade barriers remain high, despite the fact that some countries individually have lessened import restrictions (unilateral action) prompted largely by the desire to secure adequate supplies of particular commodities at moderate prices. Thus German import duties were reduced as from January 1, 1937 on wheat, rye, barley, oats, flour, milled cereal products, vegetable oils, potatoes, and other products. In March the reduction in import duties on various animal fats was extended to September, 1938. In April the Minister of Finance was authorized to exempt "consumption" sugar and edible peas from import duty. Italian import duties on rye and rye flour were reduced in November 1936, on butter in December, and on semolina, food pastes and ship's biscuits in January 1937. Latvia and Denmark abolished import duties on wheat in January 1937. Belgium suspended the licence tax on imports of wheat, rye and barley in February 1937, and in April the Netherlands greatly reduced the monopoly fees on imports of grain and grain products.

A further example of unilateral reductions of import duties on manufactured products was the removal in March 1937 of the duty on pig-iron imported into the United Kingdom. Under certain conditions the duty on iron and steel products was halved at the beginning of March and abandoned at the end of the month. Japan also abandoned import duties on iron and steel from April 1937, to the end of March 1938.

Rising prices and stability of exchange rates have removed, or at least diminished, many of the factors that led to the erection of emergency trade barriers during the period of monetary disorganization, and there seems to have been a tendency in recent months towards the liberalization of exchange controls and the encouragement of private initiative in trading.

As in previous years, there has also been considerable activity in the negotiation of bilateral trade agreements (joint action by two countries to lessen import restrictions). A general statement covering these is not possible owing to the number and the complexity of detail. For the most part, however,

there seems to be a tendency toward freer trade rather than a tightening of restrictions. The reciprocal trade agreement program of the United States was not extended greatly during 1937 but the agreements already concluded have contributed to an increase in trade for the countries directly concerned. Canada has trade agreements with the two most important consuming markets, the United Kingdom and the United States. A Payments Agreement with Germany was also concluded late in 1936, following which there was an increase in exports of Canadian farm products to that country in 1937.

Movement Towards Self-Sufficiency.—The past decade has witnessed a growing attempt on the part of certain countries, mainly in Western Europe, to lessen their dependence upon external sources of supply for raw materials and foodstuffs. To offset the effect of restricted imports, two main policies have been adopted, increased agricultural production, and the conservation and development of existing domestic supplies of raw materials coupled with the more efficient use of imported supplies. The effectiveness of these policies is shown by the fact that agricultural production in Europe has increased rapidly since 1925. This has had a far reaching effect on Canadian agriculture. The following table illustrates the change in production which has taken place during this period:—

*INDICES OF AGRICULTURAL PRODUCTION
Average 1925-29=100

| — | 1925 | 1928 | 1931 | 1934 | 1935 | 1936 |
|------------------------------|------|------|------|------|------|------|
| Europe excluding Russia..... | 97 | 103 | 107 | 113 | 113 | 113 |
| North America..... | 99 | 104 | 102 | 84 | 89 | 85 |
| World..... | 97 | 103 | 102 | 101 | 103 | 104 |

*From "World Production and Prices, 1936-37" issued by the League of Nations.

The expansion in production in Europe has been mainly in the "bread" grains, although practically all branches of farming have been affected. German agriculture has been completely reorganized with the result that in 1936 domestic produced foodstuffs accounted for 84 per cent of the total consumed as compared with 65 per cent in 1927. In Great Britain there has been a notable increase in the production of such food commodities as wheat, pigmeat, eggs and sugar, largely as the result of government subsidies.

During the past three years the increase in production in Europe as a whole has been checked. This has been due however to a combination of unfavourable weather conditions and control schemes in exporting countries, and does not indicate any return to the position formerly occupied by Western Europe as an importer of foodstuffs grown in North America.

Exports of Canadian Farm Products

The value of exports of Canadian farm products has shown an upward trend since 1932. In the fiscal year ending March 31, 1937, the value of these exports was \$422,000,000. This was \$132,000,000 greater than exports for the previous fiscal year and equal to the figure for the fiscal year 1929-30.

However, this upward trend was reversed in 1937. Exports of Canadian farm products from April to September 1937, amounted to \$157,000,000 compared with \$196,000,000 in the corresponding period of 1936. Exports to the United Kingdom decreased from \$113,000,000 to \$96,000,000, due principally to a drop in the volume and value of wheat exports. Exports to the United States were reduced by \$12,000,000, also due to smaller wheat shipments. This

reduction in export trade was largely the result of short crops and lower stocks of wheat. However, exports of live stock and animal products have shown a marked increase, but not sufficient to offset decreased exports of grain crops.

The physical volume of production of food and feed crops in Canada for 1937 was less than 60 per cent of the 1926-30 average. Consequently the total exports of these crops in 1938 will be materially reduced. Probably the exports of live stock and animal products for 1938 will be less than those of 1937, but the decline will not reach the same proportions as the decline in exports of crops. Due to below-average feed conditions, total production of meat animals will likely be lower in 1938, and with domestic requirements about the same as in 1937, available supplies for export will therefore be reduced.

Conditions in the United Kingdom

In 1937 industrial production in the United Kingdom reached new high levels. Economic activity was distributed more widely than formerly. The index of production in the second quarter of the year was higher than in the corresponding period of the previous year for all industrial groups, except the building materials and building group. This apparent check in the expansion of the building industry may be offset by the pronounced activity in the iron and steel and other metal industries. In fact, the demand in 1937 for some manufactured products became so heavy that production in the United Kingdom was no longer sufficient and it was necessary to make up the shortages with imports.

The prosperity in Great Britain is further illustrated by the striking expansion in overseas trade. Both imports and exports have grown rapidly. The continued growth of imports indicates that there has been no decline in requirements of raw materials. The increase in exports has not been checked by higher prices and is partly a reflection of the growth in purchasing power stimulated throughout the world by the volume of British imports in previous years. This increase in the volume of exports is encouraging as it assists in the revival of some industries which have been long in a depressed condition.

In the first part of the year, prices increased rapidly but this rise was checked during the early summer. This in turn checked the rate of increase in the cost of living. There was a downward trend in security prices in 1937 with an atmosphere of caution developing which in September became more pronounced as the drastic deflation of stock values in New York continued.

As there seem limitations to the further expansion of production for domestic consumption in the United Kingdom, much depends upon future trends in other countries. A further improvement in international trade would be very beneficial, for so long as exports are rising and interest rates are low, any serious decline in business activity in Great Britain appears improbable. However, an excessive drop in the prices of raw materials would lead to a curtailment in international trade, owing to the reduced purchasing power of the countries engaged in the production of primary products. Although the position of some commodities towards the end of the year was not altogether reassuring, the forces making for the maintenance of most commodity prices were strong. The prospect of continued heavy expenditures on rearmament is another stimulus to industry.

Conditions in the United States

The year 1937 opened with expectations that the definite recovery of the preceding year would be continued. Most business indicators showed increased activity, with income more evenly distributed among the various economic groups as a result of the rise in the prices of raw materials. Production was

high in most industries and unfilled orders were generally large. This improvement was a continuation of the revival which had been under way for a number of years and was accompanied in the spring months by certain features usually present only under boom conditions. The upswing in prices during this period was most pronounced in certain commodities, particularly the metals, and was due partly to speculative buying associated with growing activity in the armament industries.

Certain measures were taken by the Federal Government to check the speculative tendency evident in some branches of business. In December, 1936, there was a change in the practice with regard to purchases of gold by the Treasury. The new policy introduced at that time had the effect of "sterilizing" gold purchases, that is, they were prevented from increasing the reserves of the banks. Then, in March and again in May, the cash requirements of the member banks of the Federal Reserve System were increased and consequently the potential credit base of the banking system was reduced. There was also the warning by the President of the United States that prices were too high in some commodities.

Although the reaction in the prices of stocks in the late spring was pronounced, the change in business was not so abrupt. In fact, in the summer months there was a resumption of general activity which, however, became more hesitant later in the year. Acute declines in the stock market took place in September and October, which increased the uncertainty and lack of confidence in business generally.

Among the unfavourable factors in the present outlook are the uncertain movements of the stock markets, the decline in production (especially of steel), the rising industrial costs, the sluggishness of most capital goods industries, and the failure of private residential construction to show the anticipated increase. Rising costs and the probability of limited profits have restricted the demand from private enterprise for capital goods.

Among the favourable conditions are the strength of farm income and wage disbursements, as this purchasing power is an important source of demand for industrial products. It is expected, however, that farm income in the early part of 1938 will be somewhat less than for the same period of 1937. From the long-term point of view the correction which has taken place in the abnormal disparity between agricultural and other prices, which was most pronounced during the depression, is an indication of more healthy basic conditions. The continuation of low interest rates is another encouraging factor. The possibility that the Federal Government may utilize its wide powers to control credit, as indicated by the release in September of \$300,000,000 from the inactive gold fund, provides a further safeguard against any prolonged setback. The fact, too, that there has not been overdevelopment in the industries producing capital goods must also be considered, as in the past, depressions have been preceded by an overproduction of capital goods which led to tight money and a check upon business activity.

Foreign Demand for Farm Products.—In 1937, the United States harvested the largest crop in several years. As a result of this greater volume of production, that country will shift from the position of a net importer to a net exporter of the major food and feed crops. Canadian exports of these crops to the United States in 1937-38, therefore, are expected to be materially lower than the exports in the crop year 1936-37.

Production of coarse grains in Central Europe in 1937 was less than that of 1936, and also below normal. Thus there likely will be somewhat heavier imports of these products. The production of grains in Russia for 1937 appears

to have been above average and may result in considerable exports from that country. Shifts in foreign trade in agricultural products may be quite marked in 1938. Thus Canadian exports will be lower, and United States and Russian exports higher.

In appraising the outlook for trade in agricultural products, it should be pointed out that during 1937 a shortage of ocean shipping facilities developed. This is in part the result of the scrapping of old steamers, and of the long period during which there was little ship-building. As a result of the increased demand for ocean shipping space and the relative scarcity together with higher operating costs, ocean rates have risen appreciably, and it is expected that further increases may take place.

GRAINS

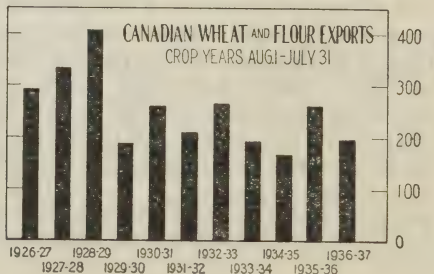
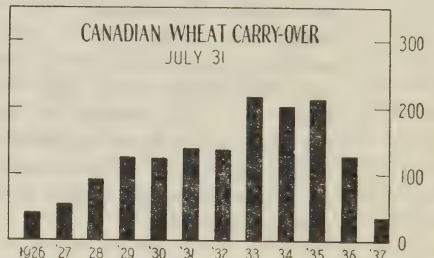
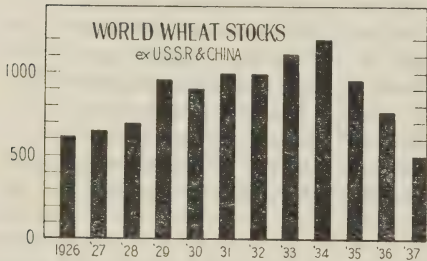
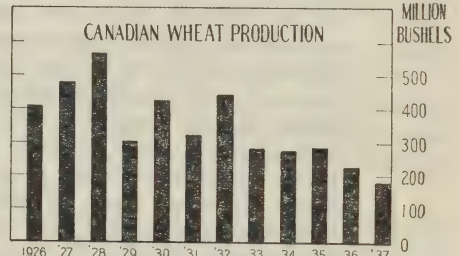
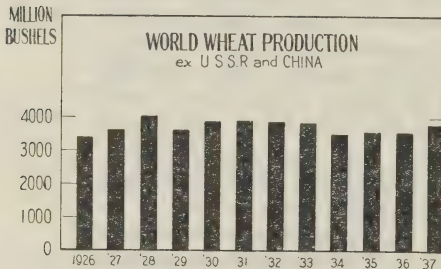
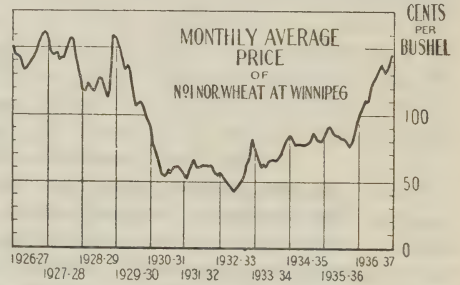
Wheat

World wheat production in 1937 was moderately larger than for the previous year, but this increase was approximately offset by a reduction in world stocks. The distribution of wheat production was such that supplies in normally importing countries more closely approximated requirements and a lower volume of international trade is in prospect. Supplies in the exporting countries in the 1937-38 season are only moderately more than sufficient to meet the reduced requirements of importing countries and prices therefore are likely to rule around their present levels until the crops of 1938 can be appraised. With regard to the latter, world wheat acreage remains at an abnormally high level, and should normal yields occur in both importing and exporting countries, prices would be expected to go lower as surplus stocks increased. While the *world* wheat situation is potentially discouraging in its long-time aspects, there are unusual and predominant factors in the *Canadian* situation that deserve primary consideration in making plans for 1938. These factors might be summarized as the succession of unusually low yields in the past five years, abnormally low stocks carried into this season, unfavourable soil and moisture conditions over a large part of the western wheat area and inability to supply fully the demands of our overseas customers from the small surplus of the 1937 crop. Moreover, it is vital for Canada to have sufficient supplies of wheat to offer continuously on world markets and it is evident that the probable crop on a wheat acreage similar to that sown in 1937 could be absorbed without difficulty.

World Wheat Situation.—The world wheat crop in 1937, excluding Russia and China, is placed at 3,792 million bushels, which is 234 million bushels larger than that of 1936. This increase was due mainly to the larger production in the United States, but the crops in certain European countries were also larger than in 1936. Total European wheat production, less that of the four Danubian exporting countries, was 82 million bushels larger in 1937 than for the previous year, while the crop in the Danube Basin shows a reduction of 36 million bushels. More specifically, Italy, Spain, Portugal, Norway, Sweden, Greece and Roumania had better crops, while production was lower in the Netherlands, Germany, Poland, Hungary and Yugoslavia. Outside Europe, the crops in North Africa and in Asia omitting Manchukuo and China were 46 million bushels larger. The

Chinese crop was reported unofficially at 640 million bushels or 19 per cent smaller than in 1936. Smaller Southern Hemisphere supplies are in prospect with the Argentine crop estimated at 192 million bushels, or 57 million bushels less than a year ago, and the Australian crop estimated at 162 million bushels which is 12 million larger than in 1936. The Canadian crop at 182.5 million bushels was the smallest in 23 years, while the United States crop at 874 millions was 247 million bushels in excess of the production in each of the two preceding years. Although no estimate is available for the Russian crop it is believed to have been one of the largest within recent years.

FACTORS IN THE WORLD AND CANADIAN WHEAT SITUATIONS 1926-1937



"World" wheat stocks on August 1, 1937, were reduced to 505 million bushels, representing a decrease of 270 million bushels during the past crop year. This decline in carryover stocks approximately offsets the increase in "world" production this year, so that total "world" supplies for the 1937-38 crop year are substantially the same as in 1936-37. "World" wheat stocks this year are at an abnormally low level, 183 million bushels below the average for 1924-29 and 492 million bushels below the average for 1930-36. These stocks may be increased moderately in 1938, due to a larger carryover in prospect in the United States.

Because of the improved wheat production in several of the European importing countries and in the United States in 1937, the total volume of international trade is expected to fall from 80 to 100 million bushels below the world net exports of 605 million bushels attained in 1936-37. The United Kingdom apart, Belgium, Germany, Holland and France are expected to be the largest importers in 1937-38 whereas in the previous crop year, heavy imports by Italy, Germany and Greece, featured in the import situation. Total world import requirements for the current year are placed between 500 and 520 million bushels, whereas available export supplies are approximately 575 million bushels. This represents a reasonably close adjustment between supplies and requirements, which in turn provides support for prices at their present levels, until the factors affecting the 1938-39 supply situation become more apparent. It is, of course, possible that the business recession which has developed in the United States will continue to exert an outside influence upon wheat prices in the meantime.

Turning to the outlook for the 1938-39 season for which growers are now making plans, it should be borne in mind that the world wheat acreage is still maintained at an unusually high level. While no appreciable increase in acreage is in prospect, normal yields on the present acreage in both exporting and importing countries would create supplies for the 1938-39 season greatly in excess of the normal disappearance of wheat. In 1937, in spite of much winter-killing, European countries produced more nearly their own wheat requirements. Improved yields in the United States and Russia left those countries with export surpluses, and it is only because of the disastrous crop failure in Western Canada and below-normal crops in the Southern Hemisphere countries that available export supplies are so closely adjusted to the low import requirements. The United States acreage of winter wheat sown in the autumn of 1937 is practically identical with the record area sown in 1936, and it is probable that there will be an increase in the spring wheat area, which was restricted somewhat in 1937 due to poor moisture conditions at seeding time. In the event that European production is maintained in 1938 and better crops are harvested in the surplus-producing countries, lower wheat price levels may be expected.

The outlook for an immediate upward trend in the total volume of international trade in wheat is discouraging. While the wheat acreage in Europe, with the possible exception of the Danube Basin, is at a very high level, most European governments continue to make determined efforts to bring domestic wheat production into line with requirements. Since the late summer of 1936, there has been a scaling down of wheat tariffs, but this has been due to an attempt to prevent bread costs from rising with the higher levels of world wheat prices and the effects of further depreciation in currencies. Germany and Italy in particular, are requiring the admixture of other flours with wheat flour in an effort to curtail wheat imports. With no apparent abandonment of the

endeavour to become self-sufficing, European imports will continue to be governed by domestic crop shortage but not all of these deficiencies will be reflected in increased imports.

Canadian Wheat Situation.—Although the world outlook for production and prices in 1938-39 is not reassuring at this conjectural stage, an appraisal of the current domestic wheat situation in Canada gives rise to more urgent considerations. For the past five years, wheat yields in Western Canada have fallen increasingly short of producing a normal crop on existing acreage. As a result of the devastating drought in Saskatchewan and eastern Alberta, yields per acre of wheat in Canada reached a new low point in 1937 and the total crop of 182·5 millions was the smallest of the past five seasons of partial crop failures.

By the end of the past crop season the Canadian wheat carryover was reduced to minimum proportions. The carryover in Canada on August 1, 1937, was 32·7 million bushels, compared with 108 million bushels in 1936 and 202 million bushels in 1935. Exports of Canadian wheat and wheat flour during the 1936-37 crop year totalled 195 million bushels, or 32 per cent of the world net export movement of 605 million bushels.

In appraising the Canadian export and carryover situation for the 1937-38 crop year, both exports and carryover will remain at low levels because of the scarcity of available supplies. After deducting domestic requirements of 100 million bushels and a minimum carryover of 30 million bushels from total available supplies of 215 million bushels, a maximum of 85 million bushels is left available for export during the current season. Of this amount, approximately 25 million bushels are durum wheat, and further amounts are of the Garnet variety. The top grades of the common varieties are in very strong demand and are obtaining high premiums overseas. There will be no difficulty in disposing of the available supplies of the red spring varieties and a substantial part of the durum surplus for which there is a slower demand this year. Consequently, Canadian exports of wheat and wheat flour may be conservatively placed at a minimum of 75 million bushels, with actual exports falling somewhere within a 75 to 85 million bushel range. Exports within this range would again leave Canada with a very small carryover on August 1, 1938.

Total exports of 75 to 85 million bushels for the present crop year fall regrettably short of fulfilling the volume of Canadian wheat that importing countries have been willing to take even in the years of low world import demand. It is vital to the interest of Canada to have at least 200 million bushels of wheat available for export in each crop year in order that the advantage of existing markets may be realized. The small carryover attained in 1937 and likely to be repeated in 1938 is inadequate to ensure continuous export supplies should domestic crop shortages recur. With these considerations in mind, a normal crop in 1938 on an acreage similar to that of 1937 is desirable.

In making plans for 1938, consideration will have to be given to the availability of suitable seed and to local soil and moisture conditions at the time of sowing. Before seeding in 1938 farmers in northern areas should seriously consider the possible price spreads on Garnet and non-Garnet grades and the relative yields of the different varieties available. The danger of loss from grasshoppers is felt to be no more serious than in 1937. However, there is prospect of the most widespread and destructive outbreak of pale western cutworm in the history of Prairie agriculture. Seeding in the greater part of Saskatchewan and Alberta should be carried on with control of this pest in mind.

Durum Wheat

World supplies of durum wheat this year are plentiful in contrast with the short supplies during the 1936-37 season. Consequently durum prices are at a considerable discount in contrast with the premiums of a year ago. While this situation may accentuate the tendency to change from durum to the new rust-resistant wheats and while this may be justified in the marginal durum areas the durum acreage in the main producing areas should be well maintained.

While there was an increase in the durum area from 1.8 million acres in 1936 to 2.3 million acres in 1937, the actual production of durum wheat in Canada was approximately doubled, having increased from 15.3 million bushels in 1936 to 30.7 million bushels in 1937, due principally to the improved growing conditions in Manitoba. The recovery in durum production in the United States was even more marked, with the durum crop in Minnesota and the Dakotas totalling 28.3 million bushels in 1937, compared with 8.2 million bushels in 1936. The North African crops in Morocco, Algeria and Tunisia in 1937 totalled 38.2 million bushels compared with 31.5 million bushels in 1936.

With the growth of durum production in Canada, export outlets have been developed mainly in the United States and to a less extent in European countries. The durum crop in the United States this year however, is just about sufficient to meet domestic requirements, so that the bulk of the current Canadian surplus will have to be disposed of in European markets. In accordance with this pressure for export outlets, Canadian durum prices have gone to a heavy discount below the prices of the bread flour types. This discount is likely to continue during the current season as long as the available stocks of durum wheat remain relatively large.

Because of the prevailing discount on the durum grades this year, together with the advent of rust-resistant varieties of bread wheat, a substantial shift from durum sowings to the latter types is expected. Such a shift might be advantageous to growers where both durum and bread wheats are commonly grown but in the main durum producing areas of Manitoba, it would be a mistake to curtail unduly durum acreage. Despite the unpredictable fluctuations between premiums and discounts from year to year, the long-run returns from durum production in these areas have compared quite favourably with the returns from the production of the hard red spring wheats in general.

Fall Wheat

The sown area of the 1936-37 fall wheat crop amounted to 781,000 acres. Winter abandonment reduced the harvested area in 1937 to 718,800 acres. In the previous crop year, the sown area was 585,000 acres and the harvested area 509,300 acres. A larger harvested area in 1937, in addition to slightly improved yields per acre, gave a total fall wheat crop of 18.7 million bushels, compared with 12.5 million bushels in 1936. The area sown to fall wheat in the autumn of 1937 was 690,000 acres, while the condition of the crop on October 31, 1937 was 93 per cent of the long-time average compared with 107 per cent at the same time in 1936.

Oats

In view of present low stocks, relatively high prices and the amount of oats required for live stock feed, the acreage sown to oats in 1938 will likely be somewhat greater than that of last year.

The oat crop in Canada occupied an area of 13.1 million acres in 1937, which was slightly less than the acreage seeded in the previous year. Total production is estimated at 274 million bushels which represents an increase of about 2.7 million bushels over the very light crop harvested in 1936, but is still more than 20 per cent below the average for the five years 1930-34. The increase over last year's crop is mainly due to larger crops in Manitoba, Alberta and Ontario. In Saskatchewan, however, severe drought conditions resulted in one of the lightest crops ever harvested in that province and over a large portion of the province the crop was a total failure. In Quebec and in the Maritimes, the crop was also below that of 1936, due largely to rust in some sections and drought in others. The carryover of oats from the last crop year amounted to 18 million bushels, of which 15 million bushels were on farms, as compared with a carryover into the previous crop year of 40 million bushels and 31 million bushels on farms. There is therefore, a considerable reduction in the total available supply of oats from that of a year ago.

Exports of oats during the last crop year amounted to six million bushels, the bulk of which went to the United Kingdom. While the somewhat smaller crop harvested this year in the Old Country should stimulate a demand for oats, the margin between available supplies and the requirements for home consumption in Canada is so narrow that any quantity exported will have to be replaced by imports or the substitution of other feed grains. The drought areas of Saskatchewan and Alberta will take care of any surplus stocks in other regions.

Oats is the most important feed grain crop grown in Canada, and the maintenance of adequate reserves is a matter of paramount importance in preserving a proper balance between feed supplies and the requirements of the live stock industry. A succession of poor crops has depleted reserves and emphasizes the necessity of building up adequate stocks to provide against years of scarcity.

Barley

While the 1937 production of barley in Canada was only slightly above that of 1936, larger supplies in the United States have resulted in a decreased demand and lower prices for the 1937 crop. Barley will be substituted for oats to a considerable extent in feeding live stock during the winter of 1937-38 and total barley supplies in Canada will be less than normal next spring. It is expected that barley acreage in 1938 will be about the same as was sown in 1937.

The production of barley in Canada in 1937 is estimated at 86 million bushels, an increase of about 14 million bushels over the 1936 crop. The 1937 area was 4.3 million acres which was slightly below that of the previous year but was somewhat in excess of the five-year average 1930-34. Canadian exports of barley during the 1936-37 crop year, amounting to 17,556,000 bushels were more than double those of the previous year. This was due to the short crop in the United States in 1936 which resulted in the purchase of 15 million bushels of Canadian barley. During the first two months of the present crop year, a total of 2,391,000 bushels of barley were exported, as compared with 4,632,000

bushels in the same period last year. Only 332,310 bushels, however, have gone to the United States as compared with 3,797,000 bushels a year ago, whereas exports to the United Kingdom, amounting to 1,932,000 bushels were more than twice those for the same two months of the 1936-37 crop year. While the material increase in the barley crop of the United States is being reflected in decreased exports of Canadian barley to that country, the United Kingdom on the other hand, will no doubt take a larger volume as the production of this cereal in the Old Country was below that of last year, and the European crop in general is reported rather light.

Although the carryover of barley at the beginning of the present crop year was only 4.4 million bushels as compared with 9.8 million bushels on August 1, 1936, the total available supplies of barley in Canada at present are about 9 million bushels in excess of those of a year ago. On the other hand, a shortage of oats this year will stimulate greater farm consumption of barley while exports to the United Kingdom should absorb most of the remaining stocks, leaving only a moderate carryover at the end of the current crop year. The demand for barley for commercial purposes, but more especially its high value as a feed for live stock, probably will furnish sufficient incentive to growers to maintain the present acreage.

Rye

Despite increases of 40 per cent in acreage and 34 per cent in production, the 1937 rye crop in Canada was 35 per cent below the average of the five years 1930-34. This, coupled with a reduction in carryover stocks, left total supplies more than a million bushels below those of the previous crop year. Production of rye in the United States in 1937 was more than sufficient to meet domestic requirements placing that country on an export basis. However stronger European demand may be expected as a result of short crops harvested on that continent.

The area devoted to rye in Canada in 1937 shows a material increase over the previous year, being estimated at 894,000 acres as compared with 635,000 acres in 1936. This increase in acreage is mostly in fall rye which occupies over three-quarters of the total acreage. The yield per acre was almost equal to that of last year but the increased acreage produced a crop about 34 per cent in excess of the very small crop of 4.3 million bushels harvested in 1936. Production however is still over 35 per cent less than the average of the five years 1930-34. Stocks of rye in Canada on July 31, 1937, were estimated at only 410,000 bushels as compared with 3.2 million bushels a year previous. In spite of the increase in population, total available supplies, amounting to 6.2 million bushels are more than a million bushels less than those of the previous crop year. In the autumn of 1937, fall rye sowings amounted to 517,000 as compared with 799,000 acres sown in the fall of 1936. Virtually the whole of the decrease occurred in the province of Saskatchewan.

The European crop was less than the light crop of 1936 and substantially below the five-year average. There was however a marked improvement in the rye crop of the United States. While the United States, which took 1,318,000 bushels of Canadian rye last year, will have an exportable surplus estimated at 15 million bushels, the short crop in Europe will create a much stronger demand for rye on that continent. Considering the relatively small stocks of rye, any surplus will be easily disposed of and indications are that the carry-over at the end of the crop year will again be very small. Apart from its commercial value, fall rye has proved to be a very useful crop in controlling soil drifting and a valuable fodder crop in drought areas. There is room for considerable expansion of acreage in many sections of Western Canada.

Flax-Seed

The Canadian flax-seed crop in 1937 was 687,000 bushels compared with 1.8 million bushels in 1936. Carryover stocks at the beginning of the 1937-38 crop year were slightly higher, thus total available supplies are approximately one million bushels less than a year ago. Canada imports close to a million bushels of flax-seed annually, chiefly from Argentina. The acreage seeded to flax in 1938 will depend largely on the relationship between flax-seed and wheat prices and the availability of seed. An increase in acreage in those areas where flax can be grown successfully may be justified, although there is prospect of an increase in world acreage.

The acreage for 1937 was slightly over half that of 1936 and with the exception of 1934 was the lowest in over 25 years. Production of flax-seed in Canada in 1937, estimated at 687,000 bushels, was considerably below that of 1936, due largely to the severe drought in the province of Saskatchewan where the bulk of the crop is grown. The carryover of flax-seed at the beginning of the present crop year amounted to 465,000 bushels. For the previous crop year, the carryover was 269,000 bushels and production was 1.8 million bushels, thus the total available supplies of flax-seed are approximately one million bushels less than a year ago.

The United States flax-seed crop was considerably below the average of the years 1931-35, although it was more than 25 per cent larger than the small crop of 1936. In Argentina unfavourable seeding conditions were responsible for a material reduction in acreage from last year and the five-year average. It is too early to obtain any reliable estimates of the Argentine crop, but it is generally placed at a lower figure than that in 1936-37, which will bring total world production below that of the previous year.

Canada's production of flax-seed has not been sufficient in recent years to provide for domestic requirements and in each of the last three years imports have been close to a million bushels. In the crop year 1936-37, net imports amounted to 813,000 bushels, most of which came from Argentina, and with smaller available supplies in 1937-38, it will again be necessary to import considerable quantities. The flax-seed crop in Canada is almost entirely sold off farms and consequently competes with wheat as a cash crop. The price of wheat in relation to that of flax-seed together with the availability to the farmer of flax-seed for seeding will be the most important factors in influencing changes in acreage in 1938. With the prospect of reduced world supplies at the end of the present crop year, the position of flax-seed appears to be fairly secure, and although world acreage probably will be larger next year, an increase in acreage may be justified in those areas in Canada in which the crop can be successfully grown.

SEED

Seed Grain

Seed grain supply in the Prairie Provinces will be short for 1938 unless the required quantity of seed is obtained early. This applies especially to oats and barley, but also to wheat. Extensive areas of Saskatchewan and Alberta will require large quantities of seed which may be obtained in other parts of these provinces and in Manitoba. The matter requires immediate attention however, as oats and barley particularly were being sold rapidly in the fall owing to a premium of cash over future prices in the grain trade. Much good grain may be lost for seed purposes once it enters the commercial channels. Supplies of seed for the drought areas are being arranged by provincial officials or the Prairie Farm Rehabilitation Service. British Columbia and Eastern Canada should have a sufficient supply of grain for 1938 seeding, although rust and drought reduced the oat crop seriously in many places. The use of registered and certified seed grain whenever possible is of great importance, especially in the Prairie Provinces, since Canada's export trade in grain depends largely on maintaining quality through the use of pure seed of approved varieties.

Wheat.—Some six million bushels will be required for seeding next spring in the drought areas of Saskatchewan and Alberta. This seed is available in parts of northern Saskatchewan and western Alberta where fair crops were harvested in 1937. In addition to the supply of commercial wheat available for seed, there are about 114,000 bushels of registered and 1.6 million bushels of certified seed wheat in the Prairie Provinces produced from inspected crops in 1937. This amount includes 1.2 million bushels of rust resistant varieties, mainly Thatcher, which are recommended for use in Manitoba and eastern Saskatchewan where rust is a serious factor. There were only a few thousand bushels of these varieties available in 1936. In 1937 production of registered wheat in eastern Canada approximated 36,000 bushels.

Oats.—Drought conditions in Saskatchewan and in the southeast and east-central parts of Alberta resulted in failure of the oat crop in 1937. These areas will require some 4.3 million bushels of seed oats next spring, which are available in northern Saskatchewan and northern and western Alberta and in Manitoba. Only a small proportion of the total crop of oats will be suitable for seed however, owing to immaturity, weed seed content, low germination and toughness. Thus from the total commercial crop, it will be difficult to obtain the necessary seed of satisfactory quality. The production of registered seed in the Prairie Provinces was about 390,000 bushels and that of certified grades 385,000 bushels.

Other parts of Canada would appear to have ample supplies of oats for seeding next spring, although some local distribution may be necessary in certain areas of Eastern Ontario, Quebec and the Maritime Provinces, where rust, drought and unfavourable harvesting conditions reduced the seed supply of this crop. Approximately 175,000 bushels of registered oats were produced in Eastern Canada in 1937.

Barley.—Barley requirements for next spring seeding in the drought areas of Saskatchewan and Alberta are estimated at 1·1 million bushels and may be obtained in Manitoba and in northern and western Alberta. A fair barley crop was harvested in Eastern Canada and in British Columbia in 1937, and while much of the grain is light in weight due to heat and drought during the filling period and damage by unfavourable harvesting conditions, there should be a sufficient supply for ordinary seed purposes. In 1937, production of registered barley in the Prairie Provinces approximated 45,000 bushels and of certified grades 90,000 bushels. In the eastern provinces, there are some 40,000 bushels of registered grades. This superior seed should be in good demand as foundation stock for the production of malting barley and the improvement of the barley crop in general.

Rye.—The production of rye in the Prairie Provinces in 1937 amounted to 4·2 million bushels compared with 3·2 million bushels in 1936. Production in Saskatchewan, however, was reduced due mainly to drought and to cutting for feed. The acreage of rye is gradually increasing as the value of the crop is better appreciated for early spring seeding to prevent soil drifting. This crop is also a useful source of green feed, and in the case of fall rye, produces grain early enough to miss the usual drought period of late July. Ordinarily farmers should obtain fall rye seed early in the season as rye is the first grain harvested and marketed.

Corn.—The production of husking corn in southwestern Ontario in 1937 is estimated at 5·4 million bushels as compared with 6·0 million bushels in 1936. Late planting due to the heavy rains of last spring and extensive drowning of seeded corn, particularly in Essex County, accounted for the decreased production. There was also greater loss from corn borer which seems to be increasing.

The quality of the new crop is quite variable but there should be a comparatively large percentage suitable for seed purposes in 1938. Some of the crop may have a high moisture content due to poor storage, but most of it, if properly dried, should germinate satisfactorily. A limited supply of seed corn suitable for western conditions is available in Manitoba.

Clover, Alfalfa and Grass Seed

The commercial production of these seeds during 1937 was decidedly variable in different provinces due to weather conditions. The serious drought of 1936 in central and western Ontario, where the largest volume of red clover and alsike seed is usually grown, prevented a catch of seed so that there were comparatively few fields producing in 1937. In the red clover areas of eastern Ontario and Quebec, inadequate snow protection caused serious winter killing and little seed was produced. The total crop of red clover and alsike seed in 1937 was the smallest for several years. The severe drought of 1937 in Saskatchewan reduced the yields of brome, western rye, crested wheat grass and sweet clover. This was offset, however, by increased yields in Manitoba and Alberta, resulting in a fair supply of these seeds. The total supply of alfalfa seed was increased owing to much greater production in northern Saskatchewan and in Manitoba, creating a supply of good quality seed for export as well as for domestic requirements. Red clover will need to be imported extensively but a large crop of English seed is available from which the necessary importations may be made. Hungary and New Zealand are reported to have some surplus of red clover for export. The higher prices of 1936 for most of these seeds have been maintained during 1937 due mainly to demand from the United States and other countries. Outlets for Canadian seed in the United States, France and Germany have improved considerably. The United Kingdom continues to be a dependable export outlet. The prospect is promising for the successful marketing of good quality export seeds of red clover, alsike, alfalfa and crested wheat grass.

Red Clover.—Canadian production of red clover seed in 1937 is estimated at 1.1 million pounds as compared with 2.5 million pounds in 1936 and 4.5 million pounds in 1935. The seed is of fair quality although weed seeds are prevalent in some places. Production by provinces was as follows: 780,000 pounds in Ontario; 50,000 in Quebec; 230,000 in British Columbia, and 15,000 pounds in Alberta. The total supply including carryover from the 1936 crop approximates 1.5 million pounds, whereas about 4 million pounds are required for seeding in 1938. To take care of this shortage red clover is already being imported from the United Kingdom where a large crop was harvested, and further supplies may be obtained from New Zealand, Hungary and other countries which have a surplus. Polish and American supplies for export are said to be short.

Red clover seed from warm countries is not regarded as sufficiently hardy for Canada. Regulations have been established under the Seeds Act to require the staining of imported red clover seed so that buyers may know its origin and thus assure themselves of a supply of hardy seed. English seed is required to contain one per cent of seed stained yellow; northern United States seed one per cent navy blue; northern European and New Zealand seed one per cent green; seed of all other origins 10 per cent red. The home-grown seed of course is exempt from staining and may be identified accordingly. From the standpoint of hardiness, the domestic or unstained seed comes first; yellow, blue and green stained seed second; and red stained seed last. As the supply of domestic seed is decidedly short, farmers should obtain their requirements early.

Home-grown seed usually commands a premium of a few cents per pound over the imported seed. Present prices being paid growers, basis No. 1 grade,

range from 20 to 25 cents per pound as compared with 15 to 19 cents in 1936. Yields of red clover seed vary seasonally, but production is usually a profitable undertaking owing to the premium paid over imported seed and the assurance of an export outlet in large crop years.

Alsike.—The total yield of alsike in 1937 is estimated at 570,000 pounds as against 5.2 million pounds in 1936. The main production area for alsike in Canada is central and southwestern Ontario, but due to a poor catch of seed caused by drought in this area in 1936, the 1937 seed crop was almost a failure, only about 400,000 pounds being produced. Production in British Columbia was 150,000 pounds and New Brunswick harvested 20,000 pounds in 1937. About 900,000 pounds were carried over from 1936, but this seed is mostly of the lower grades or unsuitable for the domestic trade. As the annual domestic consumption approximates 1.1 million pounds, a shortage of alsike for 1938 seeding is apparent. Importations to relieve the shortage are expected from Europe and the United States.

Alsike is regarded as a dependable cash crop for those farmers who will produce clean seed. The British market offers a good outlet, and exports to the United States are now possible. The price paid growers over a period of years has ranged between 8 and 12 cents per pound for alsike that will clean to Grade No. 1, while as high as 20 to 25 cents has been paid for the 1937 crop.

Alfalfa.—Production in Canada in 1937 is estimated at 4.1 million pounds, a considerable increase over 1936 when about 2.6 million pounds were produced. Larger crops in the Prairie Provinces account mainly for this increase. Production by provinces is estimated as follows: Ontario, 2.5 million pounds; Manitoba, 360,000; Saskatchewan, 900,000; Alberta, 200,000; and British Columbia, 75,000 pounds. The carryover from 1936 is estimated at 190,000 pounds located mainly in Ontario. Normal domestic consumption is estimated at three million pounds so that there would appear to be a substantial balance for export. However, as there is a shortage of domestic red clover and alsike, a larger amount of alfalfa seed may be used in 1938, reducing the quantity available for export. Substantial exports have already been made to the United States, and some exports to Russia are said to be pending.

The future of alfalfa seed production in Canada appears to be bright owing to the likelihood of continued exports to the northern United States where seed of our hardy variegated strains is popular. On the other hand, domestic requirements are increasing as the merits of alfalfa are better appreciated.

The quality of the 1937 crop is generally good, particularly in Western Canada. A part of the Ontario crop is off colour from rains during the harvest but otherwise is satisfactory. Prices paid growers have ranged from 19 to 25 cents per pound for seed that will clean to grade No. 1 as against 17 to 21 cents in 1936 and 12 to 16 cents in 1935.

Sweet Clover.—Sweet clover was a much larger crop in 1937 with a production of about 6.3 million pounds as against 3.1 million pounds in 1936. The main increase was in Manitoba where about 4 million pounds were harvested. Estimated total yields in other provinces were: Ontario, 1.5 million pounds; Alberta, 460,000, and Saskatchewan, 380,000 pounds. The carryover from last year approximated 500,000 pounds. As the annual domestic requirements are estimated at 4 million pounds and there are about 6.8 million pounds available, there is an apparent surplus of 2.8 million pounds. The quality of the crop is regarded as above average.

The only export market for sweet clover seed at present is in the United States, substantial shipments having already been made this season from Manitoba. It is probable that an increase in domestic consumption may develop next spring owing to the shortage of the other clovers, thereby reducing the

probable surplus. Owing to heavy seeding habits and the lack of dependable export outlets, the supply frequently exceeds domestic requirements. Prices this season so far have ranged from $3\frac{1}{2}$ to 5 cents per pound, basis No. 1 grade, as against 5 to 10 cents last year.

Timothy.—About 7.5 million pounds of timothy seed were produced in Canada in 1937 as compared with 6.1 million pounds in 1936 and 12 million pounds in 1935. The quality of the crop is generally good although slightly off colour in some areas. Production by provinces is estimated as follows: Prince Edward Island, 250,000 pounds; New Brunswick, 75,000; Quebec, 1.5 million; Ontario, 4.5 million; Manitoba, 70,000; Alberta, 420,000; and British Columbia, 1.0 million pounds.

The production in Ontario almost doubled in 1937 while there was a sharp decrease in production in Alberta and British Columbia. The carryover from last year was large, being estimated at 3.8 million pounds, which when added to the production in 1937 makes a total of 11.4 million pounds of seed available as against an estimated annual consumption of 8 million pounds, leaving a large surplus above domestic requirements. As a result timothy seed prices this season are comparatively low, growers being offered from $3\frac{1}{2}$ to 5 cents per pound, basis No. 1 grade, as compared with $5\frac{1}{2}$ to $7\frac{1}{4}$ cents in 1936.

The export of timothy seed at prices attractive to Canadian growers is extremely difficult because it must compete in price with American seed of which there is usually a large supply at a low price. Even in the Canadian market, the United States seed establishes the price.

Brome Grass.—The production of brome grass in 1937 is estimated at 1.2 million pounds as compared with 810,000 pounds in 1936 and 3.2 million pounds in 1935. The growing of this seed is confined to the Prairie Provinces where brome is one of the most popular forage grasses on account of its drought resisting and soil binding properties. Of the 1937 crop of seed, Manitoba produced 650,000 pounds; Saskatchewan, 146,000; and Alberta, 400,000 pounds. The quality of the new crop is generally higher than last year.

Present demand for brome grass seed is good both for domestic trading and for export mainly to the United States. Prices paid growers ranged from 9 to $12\frac{1}{2}$ cents for No. 1 grade as against 6 to 8 cents in 1936. The main demand is for certified couch-free seed.

Western Rye Grass.—The production of western rye grass seed again declined in 1937 owing to the decreasing popularity of this crop, and the drought in Saskatchewan, the main province of production. The production is estimated at 19,000 pounds as against 45,000 pounds in 1936 and 200,000 pounds in 1935. Admixture with couch grass, to which western rye grass is related botanically, and inferior drought resisting and soil binding characteristics are mainly responsible for the gradual replacement of this grass by brome and crested wheat grass.

Demand for the seed has been weak, but owing to the small supply the trade is paying as high as 10 cents per pound for No. 1 grade as compared with 7 cents in 1936.

Crested Wheat Grass.—The production of crested wheat grass seed in 1937 in the Prairie Provinces is estimated at 643,000 pounds as compared with 650,000 pounds in 1936 and 280,000 pounds in 1935. Production by provinces was as follows: Saskatchewan 380,000 pounds; Alberta 200,000; and Manitoba 63,000 pounds. There was practically no carryover of this seed.

Crested wheat grass has become increasingly popular since its introduction into the dry areas of the Prairie Provinces a few years ago, due mainly to its ability to resist drought. The seed is in strong demand again this year, the Fairway strain being most popular. Since crested wheat grass came into commercial production in Western Canada, there has been a good demand for the seed in the United States. Prices paid growers ranged from 15 to 25 cents per pound for No. 1 grade and 25 to 35 cents for registered and certified No. 1 grade.

Canada Blue Grass.—The total yield of this grass seed in 1937 in southwestern Ontario, to which production is confined, is estimated at 300,000 pounds as compared with 150,000 pounds in 1936 and an average crop of about 500,000 pounds. The quality of the new crop is good and there was no carry-over. The supply available will likely be absorbed by the domestic trade as there was a real shortage of this seed in 1936-37, which depleted dealers' supplies. The use of Canada blue grass seed in permanent pasture mixtures is increasing. Ordinarily, there is an export market for this seed in the United States and Europe.

Growers have been paid 9 cents per pound for No. 1 grade as compared with 17 cents last year. This price reduction is due in part to the larger crop this year and in part to competition with Kentucky blue grass seed produced in the United States.

Bent Grasses.—Production of seeds of bent grasses is confined to the Maritime Provinces. Production in 1937 is estimated as follows: brown top or colonial bent 12,000 pounds as compared with the same quantity in 1936 and 18,000 pounds in 1935. About 3,000 pounds of colonial bent seed were carried over by the growers from last year. In addition about 7,500 pounds of creeping bent were produced as compared with 10,000 pounds in 1936 and 1,500 pounds in 1935. The production of velvet bent amounted to about 1,000 pounds.

There is virtually no export outlet for these bent seeds except at relatively low prices competitive with German and New Zealand bents. Even in the domestic market, these imported bent seeds establish the price levels for Maritime bent seeds.

THE FEED SITUATION

Although total feed grain supplies are below average and are slightly smaller than last year, feed grain prices have declined since the spring of 1937 while the prices of live stock and live stock products are above the levels prevailing in the fall of 1936. It is expected that the more favourable relationship now obtaining between live stock prices and feed grain prices will continue through the 1937-38 season. Less barley and rye will be exported to the United States due to increased production of these grains in that country. In Europe, feed grain production for 1937 was below average. It is expected that the greater-than-usual deficiency in supplies will be made up largely by imports from the United States and Russia. The production of tame hay and fodder was slightly greater in 1937 than in 1936. The total production of root crops in 1937 was below that of 1936. Canadian feed grain supplies and hay supplies for 1937-38 are of below-average quality. This may necessitate some importation of high quality feeds. A considerable movement of feed supplies from surplus to deficit areas will be necessary during the 1937-38 season. Notwithstanding a general improvement in the feed situation, the premiums paid for feed by live stock producers in areas where feed supplies are lacking will result in low returns from the production of live stock and animal products in these areas.

The Feed Grain Situation

Supplies.—The production of feed grains, including oats, barley, rye, corn, mixed grains, buckwheat and peas for 1937 amounted to 8.1 million compared with 7.6 million tons in 1936 and an average of 9.5 million tons from 1930 to 1934. While the 1937 production was six per cent greater than that of the previous year, it was 15 per cent less than the five-year average 1930-34. The carryover of feed grains at July 31, 1937 amounted to 428,000 tons compared with 1,012,000 tons at the same date in 1936. This is the smallest carryover recorded since 1920. Total supplies of feed grains at August 1, 1937, the beginning of the 1937-38 season, were 8.5 million tons, slightly less than at the same date of 1936. With fewer horses and hogs on farms at June 1, 1937 than at the same date in 1936, a slight reduction was shown in the number of grain-consuming animal units. Thus the feed grain supply per animal unit for 1937-38 was about the same as at the beginning of the 1936-37 season. With the exception of 1936-37, feed grain supplies per animal unit are the lowest recorded since 1920. Since 1931, feed grain supplies per animal unit have been generally lower than the supplies during the period 1920 to 1930. In spite of lower supplies, the total output of live stock has not been greatly affected. This has been possible because of a downward trend in the exports of feed grains.

The production of oats in 1937 was slightly greater than that of 1936 but 24 per cent less than the average from 1930 to 1934. Stocks of oats at July 31, 1937 totalled 18.3 million bushels which, added to the 1937 crop of 274.5 million bushels gave a total supply of 292.8 million bushels as compared with a supply of 312.1 million bushels for the 1936-37 season. During the past eight years the quantity of oats fed to live stock has ranged from a low of 278 million bushels in the 1936-37 season to a high of 365 million bushels in the 1930-31 season. The amount of oats fed in 1937-38 will be less than the small amount fed in 1936-37. The decline will be due to a substitution of other grains and to a reduction in the number of grain-consuming animals.

The 1937 barley crop was 14 million bushels greater than that of 1936, but the total supplies at the beginning of the 1937-38 season were only 8.7 million bushels greater. The amount of barley used for live stock feed shows wide variations from year to year. During the last eight years it has ranged from 48 million to 104 million bushels. The amount used for 1937-38 will be greater than in the 1936-37 season. The requirements of the breweries in the United States during 1937-38 will be met largely from the United States crop. Prices for malting barley in Canada in 1937-38 will not likely command the premiums which obtained last season. This will make available a greater proportion of the crop for feeding live stock. In addition to these factors, the relationship of barley prices to oat prices will result in some substitution of barley for oats in feeding rations.

Importation of Feed Grains.—The relatively high prices for oats in Canada have already resulted in a considerable increase in imports for the season August, 1937 to July, 1938 over the same period last year. From August to October, 1937, imports of oats amounted to nearly 3 million bushels, as compared with imports of less than a thousand bushels for the same period last year.

Importation of corn for the three months August to October, 1937 amounted to 8.6 million bushels compared with 4.8 million in the same three months of 1936. South Africa has supplied 7.8 million bushels of the amount imported thus far in the 1937-38 season. Supplies of corn available for export from South Africa were estimated at 19.2 million bushels at the end of October, 1937.

While total supplies of rye at the beginning of the 1937-38 season were 6.1 million bushels as compared with 7.5 million bushels in 1936-37, more rye will be used as feed during this winter. The quantity of rye fed to live stock varies widely. During the past crop year exports of 1.3 million bushels were made to supply distilleries in the United States. Because of adequate supplies there, it is not expected that rye exports to that country will be as large in the 1937-38 season. Rye prices have declined appreciably since July, 1937, but are considerably above those of 1935-36.

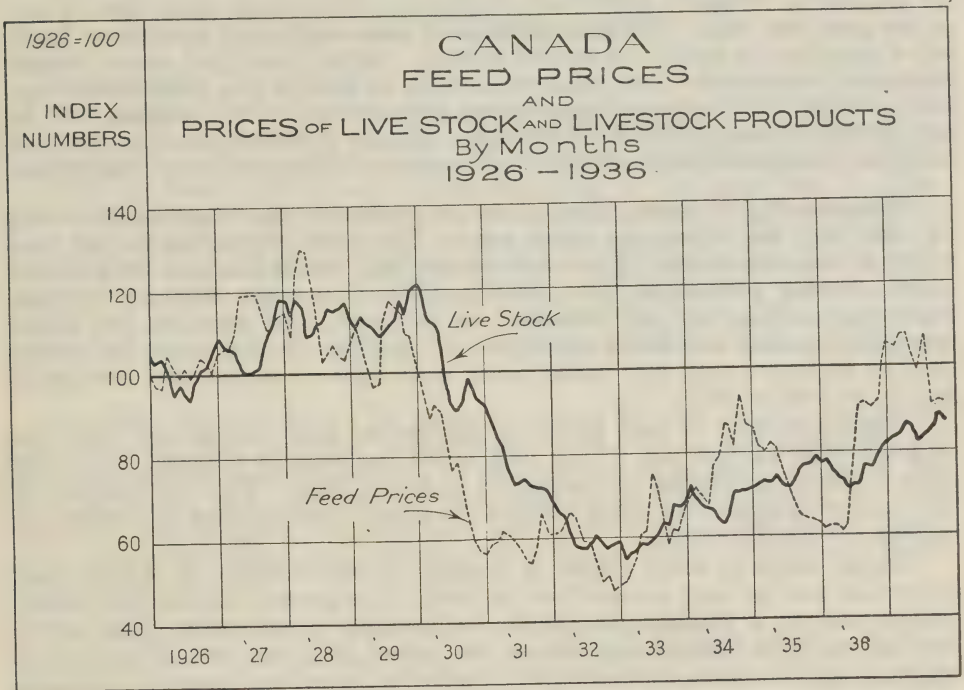
The 1937 corn crop of 5.4 million bushels was 11.5 per cent less than the 1936 production of 6 million bushels. Most of this crop will be used for finishing live stock in Ontario, where practically all the husking corn is produced. During the 1936-37 season imports of corn amounted to over 20 million bushels, most of which originated in Argentina. These imports of corn were an important addition to the short feed supplies of last season.

Because of the low production and relatively high prices, the quantity of wheat fed from the 1937 crop will not be great. In a few localities where frost caused damage to wheat, it will be used to supplement other grains. Less wheat will be required also because of the reduced number of poultry on farms.

Prices.—Feed grain prices rose sharply through the latter half of 1936 and the early part of 1937 chiefly because of short supplies, particularly on this continent. Since April, 1937, the trend of feed grain prices has been downward. The greatest reductions have occurred in the prices of barley, rye and corn. The price spread between 3 C.W. barley and 3 C.W. oats was 34 cents in January, 1937, and has since narrowed to about 12 cents. The spread between the price of 3 C.W. rye and 3 C.W. barley was 47 cents in January, 1937, and in October, 32 cents.

With greater feed supplies in North America for 1937-38, it is expected that feed grain prices in the first six months of 1938 will be lower than those prevailing during the first part of 1937 but higher than prices in the early part of 1936. Prices of live stock and animal products are likely to average somewhat higher during the 1937-38 season than during the 1936-37 season. During the 1936-37 season the index of feed prices rose to 107.8 in April. Live stock and

animal products for the same month were 86.3 per cent of the 1926 level. The index of wholesale feed prices for October, 1937, was 91.5 per cent of the 1926 level and live stock and animal products prices were 86.5 per cent of 1926. Thus the disparity between live stock prices and feed prices has been appreciably reduced. The number of bushels of barley equivalent in price to 100 pounds of bacon hog declined from 28.0 in June, 1936, to 10.0 in January, 1937. Since January the ratio has been increasing and in October, 1937, 14.5 bushels of barley were equivalent in price to 100 pounds of bacon hog. It is expected that this ratio will continue to increase through the 1937-38 season.



During the severe price decline in 1930 and 1931, prices of feed fell faster and further than the prices of live stock and livestock products. In the 1934-35 season and again in the 1936-37 season after drought prevailed on the western plains of this continent, feed prices rose considerably. Since the spring of 1937, prices of feed have declined and the disparity existing during the latter part of 1936 and the early part of 1937 between feed prices and live stock prices has been materially reduced.

Trends in Live Stock Numbers.—The trend of all cattle numbers in Canada was upward from 1928 to 1934. Since 1934, this trend has levelled off and a downward tendency in numbers is expected. While numbers at June 1, 1937, showed a slight increase over those of the previous year, owing to heavy liquidation in drought areas during the summer, numbers at the close of 1937 are probably less than those of 1936. Numbers of milk cows have been increasing since 1930 and it is expected that this upward trend will continue though at a slower rate than in the past six years. The number of horses on farms has been declining since 1924. A further decline took place in 1937, and due to short feed supplies it is quite likely that numbers at June 1, 1938, will be below those of the previous year. The number of horses on farms at June 1, 1937, was nearly one million head below the number shown at June 1, 1921.

Hog numbers, after sharply increasing in 1936 over 1935 showed a reduction at June 1, 1937. In view of the unfavourable hog-feed relationships obtaining during the past season, hog numbers at June 1, 1938, will probably show a further decline. The number of sheep on farms has shown a downward trend since 1932 but the change in numbers has varied less in the last six years than during the 1920-30 period. The total poultry population at June 1, 1937, was considerably below that of the previous year. Unfavourable feed conditions and poultry-feed price relationships were the factors bringing about this decline.

Situation in Other Countries.—Feed grain supplies in the United States for 1937-38 at October 1 were much larger than those at the same date in any of the past four years. With the number of grain-consuming animals on farms below average, the supply per animal is large. Heavy feeding of grains, especially corn, is expected. Feed grain production in Europe was considerably less than in 1936, and increased importations are expected. The increases will be largely from Russia and the United States. Exports of barley, oats and rye from the United States to Europe already have increased sharply over the 1936 figures.

Situation by Regions.—Feed grain production in the Maritime Provinces for 1937 was the lowest for some years. The total production of all feed grains in this region was 72 per cent of the 1936 production and 78 per cent of the average production from 1930 to 1934. Since the numbers of hogs, cattle and horses have all increased in the area, feed supplies per grain-consuming animal are below average. In addition to being low in yields, the late harvested oats and barley crops were light in weight and inferior in quality to those of 1936.

The production of feed grains in Quebec in 1937 was 19 per cent less than the 1936 harvest and 17 per cent below the 1930-34 average. The feed grain crops were inferior in quality to those of 1936. With an increase in the number of grain-consuming animals on farms, feed supplies per animal in Quebec are below average.

Larger crops of small grains in Ontario in 1937 resulted in a total feed production ten per cent greater than in 1936. The greater supplies in Ontario will be used to a considerable extent for finishing feeder cattle. The movement of cattle to Ontario feed-lots in the fall of 1937 was one of the largest recorded and the total number of live stock on farms in Ontario is probably at about the same level as a year ago.

The tonnage of feed grains harvested in Manitoba in 1937 was twice that of 1936 and was 45 per cent greater than the average from 1930 to 1934. Surplus feed from Manitoba will go chiefly to Saskatchewan, where the 1937 feed grain production was only 37 per cent of 1936 and 26 per cent of the 1930-34 average. Although considerable numbers of live stock have been moved out of Saskatchewan and feed is being shipped into the drought areas, the winter feeding of a minimum of live stock presents a very serious problem. Unless weather conditions are unusually favourable, death losses of live stock in these areas are likely to be heavier than usual. The infestation of pale western cutworm in the drought areas of Saskatchewan and eastern Alberta is reported as particularly heavy this fall. Potential damage to feed grain crops threatens these areas unless proper control methods are followed in tillage and seeding in the spring of 1938. Farmers should follow closely advice which will be published during the winter on proper control measures. In Alberta, feed grain production for 1937 was 48 per cent greater than in 1936 and only slightly less than the 1930-34 average. British Columbia feed grain supplies are above the 1936 figure and 31 per cent greater than the average production from 1930 to 1934.

Commercial Feeds.—Production of mill feeds, with the exception of corn, was considerably lower in the 1936-37 season than during 1935-36. The lower output was due to high feed prices in relation to live stock prices. Corn grindings showed large increases over the previous season because of greater importations and a wider use of corn in feeding rations. The output of bran, shorts and middlings declined during the 1936-37 season. Prices of bran and shorts rose through the latter half of 1936 and up to April, 1937. Since April, prices of these feeds have declined appreciably and at the close of the year are at about the same level as a year previously.

Hay and Fodder Situation

Production.—The total production of tame hay and fodder crops, including hay and clover, alfalfa, fodder corn and grain hay was 20.6 million tons compared with a production of 19.9 million tons in 1936 and an average of 21.2 million tons from 1930 to 1934. The number of hay-consuming animals on farms at June 1, 1937, was slightly less than at the same date in 1936. Fodder supplies per hay-consuming animal for 1937 were 1.85 tons as compared with 1.83 tons in 1936. Hay and clover production for 1937 was 6 per cent lower than in 1936 and 3 per cent below the 1930-34 average. Alfalfa production in 1937 showed an increase of 7 per cent over the previous year and 35 per cent over the 1930-34 level. The 1937 fodder corn crop yielded 29 per cent more than the 1936 crop and 24 per cent more than the 1930-34 average.

Exports.—Exports of hay for 1936-37 totalled 267,000 tons compared with 42,000 tons for 1935-36. The United States took 73 per cent of the 267,000 tons exported last season. Exports of other fodder were double those of the preceding season, and nearly 50 per cent went to the United States. In view of the fact that adequate supplies of hay and fodder are available in the United States for the 1937-38 season, exports of these crops to that country will likely be very much smaller.

Situation by Regions.—Tame hay and fodder production in Prince Edward Island and Nova Scotia in 1937 was slightly greater than in 1936, but 10 per cent lower in New Brunswick. In Prince Edward Island new hay seedlings were reported as in good condition. Most sections of Nova Scotia reported plentiful hay supplies. Although the numbers of hay-consuming animals in the Maritime Provinces were greater at June 1, 1937, than at the same date in 1936, hay supplies are quite adequate in this region.

Hay and fodder production in Quebec was 10 per cent lower in 1937 than in 1936 and 6 per cent below the 1930-34 average. Production of hay and fodder in Ontario was 8 per cent greater than in 1936. Production of tame hay in Manitoba was 23 per cent greater than in 1936 and that of native hay was considerably greater than in the year previous. Supplies of Manitoba hay will be required to relieve the shortage in Saskatchewan and to carry over stock shipped in from the drought areas. Saskatchewan hay and fodder production was only 43 per cent of the 1936 yield and only 42 per cent of the 1930-34 average. In spite of a large outward movement of stock and a reduction of hay-consuming animals, substantial inward shipments of hay will be necessary. Hay and fodder crops in Alberta yielded 33 per cent more than in the 1936 season, a large proportion of which was second growth grain hay. While tame hay crops in British Columbia were below those of 1936, the quality was high and supplies of hay will be sufficient.

Root Crops.—The 1937 sugar beet crop of 419,000 tons was 176,000 tons below the harvest of 595,000 tons in 1936. Alberta production was 15 per cent greater, but Ontario production was less than half that of 1936. Thus the supply of beet pulp available for feed will be below last year in Ontario. The total yield of turnips and other root crops was 5 per cent less in 1937 than in 1936. Large reductions occurred in the Maritime Provinces and Quebec.

Pasture Conditions

Pasture conditions in the fall of 1937 were generally better over the whole of Canada than in the fall of 1936. The condition reported at the end of September was 95 per cent of normal. In the Maritime Provinces, pasture conditions were below those of a year earlier, but in Quebec, Ontario, Manitoba, Alberta and British Columbia, pasture conditions showed improvement over 1936. In Saskatchewan, pastures were reported 45 per cent of normal. Lack of rain in mid-summer resulted in considerable deterioration of pastures in Nova Scotia, but late fall rains were beneficial. High seed prices and lack of cash prevented many farmers from seeding new stands of pasture and hay in the spring of 1937. This was particularly true in the Prairie Provinces, and it is expected that the acreage of tame hay and pasture will be smaller in 1938. In British Columbia, good catches of hay and clover were secured, and with normal conditions above-average hay and clover crops will be harvested in 1938 in that province. Good catches were also secured in the newly seeded pastures and hay meadows of Ontario, and under normal conditions should provide an adequate supply of feed next year.

LIVE STOCK

Beef Cattle

The beef cattle production cycle has passed the peak and a downward trend in total supplies may be expected for the next three or four years. The low point in numbers of cattle on farms may be reached earlier than usual due to the effects of the continued drought. While total demand for meats may not be as high in 1938 as in 1937, smaller supplies of pork may sustain the demand for beef and veal. It is expected that the United States will be a good market for several years. The higher prices paid for the 1937 replacement cattle, combined with a record movement into Ontario feed-lots, has centered interest in the possible trend of the United States market for finished cattle in the winter and spring of 1938. While there is a strong possibility that Canadian prices may decline early in the year due to heavy marketings of finished and near-finished cattle, this may result in more stable prices during the late spring months than would otherwise obtain. It is not expected that demand, and hence prices, in the United States in 1938 will be equal to those of 1937. However, no drastic decline in finished cattle prices in that market is anticipated. The decline in prices for the better grades will not likely be as marked as in the first half of 1936 when feed supply and price conditions were similar to those now indicated for 1938. Furthermore, the decline will start from a higher level than in 1936. It is expected, too, that there will be a seasonal advance in the United States prices for the lower grades of cattle during the first half of 1938 and they may average about the same as in 1937. Indications point to some improvement in cattle prices in the United Kingdom market. Possibly by the late spring of 1938, a fairly good outlet for surplus Canadian finished cattle may obtain in the United Kingdom and the United States although at somewhat lower prices in the latter market than for the corresponding period of 1937. Consumer demand in the United States and in the United Kingdom and demand in the domestic market will probably take a liberal beef supply for 1938 at somewhat lower prices than prevailed in 1937. Feed conditions in areas where most of the cattle are being fed for winter and spring markets are quite favourable. Furthermore, cattle went into winter quarters generally in good condition. In 1937, farmers paid higher prices for store cattle than in the previous year. A good market in the United Kingdom for dairy cattle, tuberculin and blood-tested, is quite probable. The inauguration of a national policy for the reduction of bovine tuberculosis in the United Kingdom places Canada in a very favourable position for the expansion of exports, as this country is the only Empire source of disease-free supply.

Production.—The numbers of cattle on farms in Canada on June 1, 1937, were approximately the same as at the corresponding date in 1936, but in view of increased sales and liquidation in the drought areas it is quite likely that numbers at the beginning of 1938 are somewhat less than at the same date a year ago. Sales off farms for domestic and export trade from June to December inclusive exceeded the sales for the corresponding period of 1936 by an appreciable amount. Of the 1937 total, a larger number than in 1936

went back to the country for feeding purposes. There was an increase in the export movement to the United States and inspected slaughterings of live stock in Canada showed some gain over the same period of the previous year. Statistics confirming the above statements show that, while an increase of 13 per cent in marketings occurred at stock yards in the East, 26 per cent of the marketings at these yards originated in the Prairie Provinces. Marketings at stock yards in the Prairie Provinces showed an increase of more than 56 per cent over the corresponding period of the previous year. The increase at all public stock yards combined exceeded 124,000 head from June to December. Calf marketings in Eastern Canada increased 3.6 per cent and in the Prairie Provinces 42.6 per cent. These marketings are a heavy drain on the future beef supply, but are in part also the result of emergency conditions and indicative of a change in production practice brought about by the comparatively attractive market for veal during the past few years.

During the June to December period, the movement of store cattle from western provinces to eastern country points increased approximately 28 per cent over the corresponding period of the previous year, and the movement from stock yards to eastern country points showed an increase of over 50 per cent. The combined movement off yards and direct from the west into Ontario feed-lots during the June to December period of 1937 totalled approximately 157,000 head as compared with 86,000 head for the corresponding period of the previous year, an increase of more than 80 per cent. The net results were an appreciable reduction in total cattle on western farms and a sharp increase in cattle on feed for the winter and spring markets, with the increase confined almost entirely to Ontario.

Weather conditions influenced the movement of commercial cattle to slaughter and the direction of the movement to pasture and feed-lots throughout the last six months of the year. Had it not been for enforced liquidation due to continued drought conditions in parts of the Prairie Provinces, the total commercial movement of cattle in 1937 would not have exceeded that of 1936. The actual slaughter failed to reach abnormal proportions only because of the very favourable pasture conditions and feed situation in Manitoba, Ontario and some other eastern areas. The present production cycle has already passed its peak, and a downward trend may be expected during the next three or possibly four years. Short-time fluctuations in output may occur depending on feed supplies. The influence of the higher wheat prices on cattle production and of sharp increases in the slaughter and export of calves would likely have been clearly shown by reduced marketings for 1937 had not forced liquidation taken place in the Prairie Provinces. Some accentuation of downward trend as indicated by annual marketings during the next few years may be expected to result from the forced liquidation which occurred in 1936 and 1937.

The low point of the cattle population in the United States is expected in 1938 or 1939. Consequently, the long-term trend of Canadian cattle prices relative to other commodity prices may be expected to continue favourable until 1940-41. The last peak of cattle prices was reached in 1928. If the cycle were normal the next peak would be in 1942 but drought conditions in Canada and government slaughter in the United States have shortened the cycle.

Regional Situation.—Reference has already been made to the number of replacement cattle which went back to Ontario farms and feed-lots where an abundance of winter feed is available. Manitoba is in a position to winter-feed more cattle than for some years past, and the profitable prices in 1937 will undoubtedly result in some increase in output from that province in 1938. The Quebec output, as measured by an estimated increase in holdings, is expected to be maintained in 1938. Most of the area in Alberta in which cattle are usually fed had a better-than-average supply of winter feed. Further reduction in the

fed cattle and total cattle output from Saskatchewan is inevitable. The total Canadian output of fed cattle during the first six months of 1938 will be much heavier than for several years past. At the same time, a considerable percentage of the large number on feed at January 1, 1938, will be marketed off grass in the autumn of 1938 and out of feed-lots during the winter of 1938-39.

The Situation in Other Countries

The United States.—There is no prospect of a repetition in 1938 of the unusual situation in the United States which occurred in 1937 when prices moved slightly upward from January. While the total United States slaughter of cattle and calves may be smaller than in 1937, and most of the decrease may occur in the first six months, supplies of fed cattle are expected to be fairly heavy during the early part of 1938. The high cattle prices of 1937 and an abundant corn crop encouraged many farmers to feed cattle during the winter. There promises, however, to be no marked slackening of the increase in marketings of fat cattle as the year progresses, and indeed there are probabilities that the largest increase in volume may occur during the period from May to October 1938. A fairly sharp decline in the United States cattle prices has already taken place, and there is no prospect of the high peaks of the 1937 market recurring. The decline in the prices of the better grades of cattle on United States markets during the first half of 1938 should be no greater than in the first half of 1936 when feed supply and price conditions were similar to those now indicated for 1938. Moreover, the decline will start from a higher price level than the decline which occurred in 1936. A seasonal advance is predicted in the lower grades of cattle in the United States during the first half of 1938, which may mean an average about the same as in 1937. This means in effect that the unusually wide spread in cattle prices in 1937 is expected to narrow considerably during the first half of 1938. Such a situation should be advantageous to the imports of Canadian cattle as a whole, under the 1938 quota.

A good market for Canadian cattle in the United States may reasonably be expected for several years. The question in the minds of experienced cattle feeders in Canada is how early in 1938 a new price level will be established in the United States market. The general rush to beat the anticipated drop by marketing as early as possible may precipitate the price break but also may result in a more stable price level in Canada during the late spring months than would otherwise occur. Nevertheless more orderly marketing by the Prairie Provinces during the winter and spring of 1938 than in the previous year is necessary, if a disappointing outcome is to be avoided.

Canadian cattle exports to the United States in 1937 filled the low duty quota and a number were also shipped at the higher rate. Because of the attractive prices secured throughout the spring and summer, the quota was filled by the latter part of August as compared with about November, 1936. The calf quota was also exceeded by the total marketings and was filled about July 1 as compared with August 1 in 1936. Reduction in the movement to the United States following the filling of the quotas was much less perceptible in 1937 than in 1936.

The United Kingdom.—Indications are that increased purchasing power in Great Britain may result in further improvement in cattle prices in that market in 1938. It is quite possible that by the second quarter of the year the broad outlet in the United States and the United Kingdom for surplus Canadian fed cattle will have resulted in a stable domestic price structure, though on a somewhat lower level than that for the corresponding period in 1937.

It is believed that the dairy cattle requirements of the United Kingdom afford very good prospects. A good market for dairy cattle, particularly those tuberculin and blood-tested, is promised, and such cattle are eligible for a bonus. These facts, together with the inauguration of a national policy for the eradica-

tion of bovine tuberculosis in the United Kingdom, augurs well for the expansion of Canadian exports of inspected and approved dairy cattle, since Canada is the only Empire source of disease-free supply. The acute shortage of trans-Atlantic shipping space may be a limiting factor in the export movement to the United Kingdom in 1938.

Mexico.—Mexico increased the moderate exports of live cattle to the United States under the quota arrangements, but this increase was largely the result of forced liquidation arising out of poor grazing conditions. If grazing conditions show any material improvement, it will not likely recur in 1938.

Argentina.—Despite the high prices secured for chilling and freezing cattle in 1937, the Argentine breeder and feeder is none too optimistic in regard to the long-time trend in the industry. The United Kingdom beef quotas set definite limits on the imports of beef for the next two years. Maintenance of the 1937 prices in 1938 depend upon a continuance of favourable business conditions. The improved business conditions in both Argentina and the United Kingdom so increased prices during 1937 that the Argentine beef subsidy was twice reduced and may soon be eliminated. The restriction of imports into the United Kingdom under the quota arrangements will continue to preserve the reasonable balance as between processed and fresh beef.

Hogs

The commercial pig output of 1938 will be smaller than that of the previous year, owing to reductions in the 1937 fall and the 1938 spring pig crops. Reduction in marketings commenced in August, 1937 and will be carried over into 1938. The decline will be common to the major areas of production but will be most pronounced in the Prairie Provinces. The adverse feed situation in the autumn of 1936 resulted in materially smaller 1937 spring pig farrowings, particularly in Western Canada. During the last quarter of 1937, the hog-barley ratio in Canada was nearing the point where producers were becoming interested in increasing sow breedings; however, there was some setback because of a break in the British bacon market and in local hog prices at the autumn breeding season. There will be fewer hogs available for slaughter, at least during the first nine months of 1938, but the more favourable hog-feed relationships now developing may result in increased marketings during the late autumn and winter of 1938-39. Exports of pig products from Canada during 1937 sharply exceeded those of the previous year and recorded the highest export movement to the United Kingdom since 1920. The total exports represented approximately 40 per cent of the Dominion commercial marketings. The outlet in the United Kingdom promises to continue to be satisfactory and the United States market may still be on an importing basis. Cold storage stocks are not as high at the end of 1937 as a year previously. In Great Britain and in most of the important hog producing countries in Europe, hog slaughterings are expected to be lower than in 1937. Universally higher feed costs have been a major factor in world production.

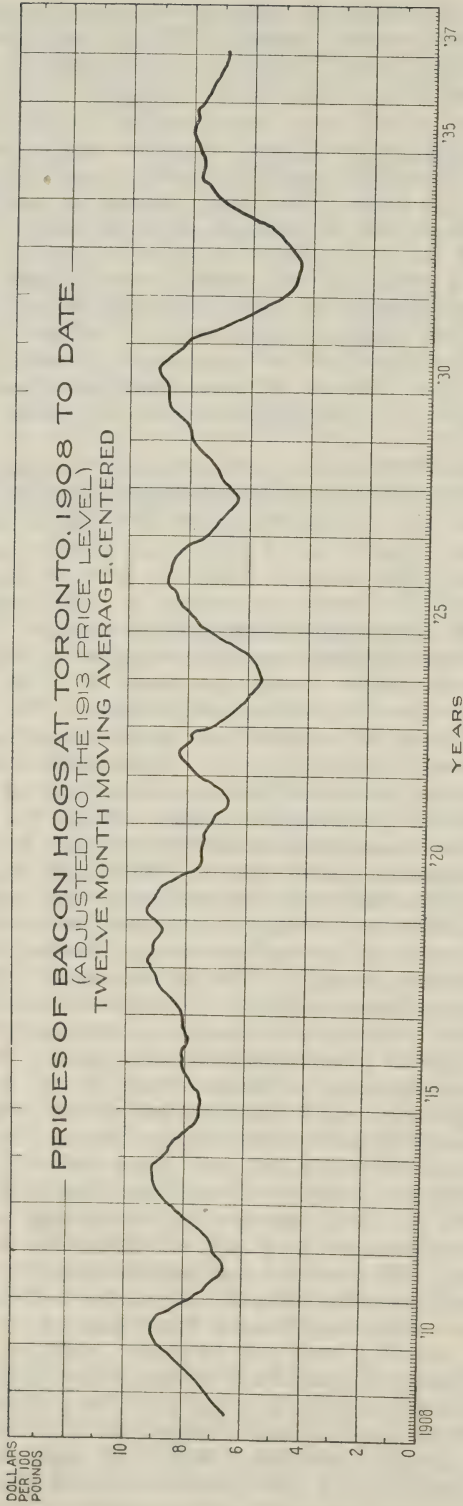
Production and Marketing.—The combined output of hogs to stock yards, to packing plants, and for direct export during 1937 established a record and exceeded the previous high of 1936 by a substantial amount. The percentage of the total marketings exported was higher than in 1936, an indication of the strength of demand in the United Kingdom. The increase in marketings occurred entirely during the first seven months of the year and was the result

of favourable hog prices and feed conditions in 1935-36. A continuation of the diminishing marketings which set in about August, 1937, may be expected throughout the greater part of 1938, mainly because of reductions in the Prairie Provinces. The decline in Ontario should be relatively moderate. Quebec and the Maritime Provinces, which have been increasing commercial marketings, promise to maintain output despite a less favourable feed situation.

The hog-barley ratio declined from 28 bushels of barley (equivalent in price to 100 pounds of bacon hog) in June, 1936, to 10 bushels in January, 1937, but since then it has advanced and in October stood at about 14.5 bushels. This ratio is approaching the point where it is more profitable to feed barley to hogs than to sell it as grain and this should result in increasing hog production. Hog prices declined sharply in the fall of 1937, which coincided with a sharp drop in the United Kingdom bacon market, brought about by consumer reaction to high retail prices. For the same reason, consumption in Canada also declined slightly. As a result of these conditions, breeding in the fall of 1937 does not indicate any material expansion in spring farrowings.

Although the total hog output in 1937 was larger than that of the previous year, the fall pig crop was sharply below the record fall marketings of 1936. However, the runs were well above the five-year average of 1933-37 and it is fairly evident that Canada is on a higher level of production which promises to be maintained despite fluctuations. The essential difference between marketings in 1937 and in 1936 was that the heavy movement in 1937 occurred during the fore-part of the year and diminished during the fall months. Thus, contrary to a year ago, Canada enters 1938 with a gradual decline in marketings. The 1938 hog run is likely to follow closely the trend in 1936, that is, the spring pig run promises to be of moderate proportions. The hog-feed ratio should be more favourable and this should tend to arrest declines in production, although not in time to add materially to the 1938 market supply.

The probabilities for output point to total Canadian marketings for 1938 considerably below the average of the previous two years. While the 1937 fall marketings by Alberta showed a considerable reduction over the previous year, there was a marked improvement in quality due to liberal feed supplies except in a few isolated areas. The decline in hog prices in the autumn probably did not have as serious an effect on breeding as expected and prospects point to only a moderate curtailment of spring farrowings. Saskatchewan suffered heavily as a result of continued drought. The limited supply of feed available from the recent harvests predicates a drastic reduction in production in this province for the 1938 market. Manitoba harvested a very substantial feed crop, which resulted in a definite improvement in the quality of the hogs and ended abnormal forced marketings. There should be no serious decline in the output from this province and the situation rather suggests that expansion may take place. The combined output of the Prairie Provinces during 1938 will probably be at least 20 to 25 per cent below the output of the previous twelve months. During the past few years these provinces have contributed almost 50 per cent of the total commercial marketings of the Dominion, and the extent of the decline now in progress is indicated by the fact that during the fall months of 1937 the total marketings from this area were less than 35 per cent of the Dominion output. In Ontario it is felt that, because of a reasonably good feed supply and knowledge of reduced production in prospect elsewhere, breeding was not seriously curtailed as a result of the price drop, but the spring crop of 1938 will not be up to that of the previous year. Quebec has shown a definite swing from local slaughtering to marketing through regular trade channels, and during 1937 a substantial contribution was made to public sales. Associated with this increase has been a marked improvement in quality, and this province is now taking a place among the important hog marketing areas in the Dominion. The future



Hog prices tend to move in cycles of from 3 to 5 years in length. In the above chart, the price of hogs has been adjusted for changes in the general price level, and for seasonal variation. Hog prices began to rise in the latter part of 1932, reaching a peak in the last cycle in the summer of 1935. Since then, hog prices relative to other prices have been declining.

of production will depend largely upon available feed supplies, and immediate prospects point to a maintenance of output during the early part of 1938, with some minor decline during the latter part of the year. The Maritime Provinces promise to maintain volume.

Among the price-making factors in the domestic hog market during 1937 was the favourable market for bacon in the United Kingdom, resulting in a very satisfactory increase in exports over the liberal volume of 1936, with the total equivalent to 40 per cent of hog marketings in Canada. Exports during the first six months of the year were equivalent to 34,000 hogs weekly and during the last six months to 25,000 hogs weekly, the total for the year exceeding the previous high mark established in 1936. Bacon prices up until the middle of September maintained the domestic hog market at fairly strong levels. Another important price-maintaining factor was the level of hog prices in the United States market, resulting in a fairly liberal exportation of live hogs from the Dominion to that market during the first nine months of the year. Cold storage stocks are not as high at the end of 1937 as a year previously.

The Export Market.—World prospects indicate a reasonably strong demand for available pigmeat supplies in 1938. While the United States may produce more hogs in 1938 than in 1937, the increase will not be reflected in slaughterings until late in the year and in the early months of 1939. If feed prospects should be favourable in 1939 a further increase in production might occur, but it would not be before 1940 that the number of pigs raised would reach the level of the 1929-33 average. Thus in so far as United States conditions affect Canadian hog prices, the outlook is that they will continue in some respects to be a favourable factor in our market. In 1937, for the first time on record, United States imports of pork have exceeded exports although stocks of lard are excessive. This was the result of the cumulative effect of higher prices for hogs and hog products in the United States than in foreign countries during the last four years, a condition which still obtains.

In the United Kingdom the Pigs and Bacon Schemes have been temporarily suspended because farmers have failed to turn in sufficient contracts to enable curers to operate economically. The higher cost of feed during 1937 resulted in higher prices for hogs, and was associated with government regulation of imports to safeguard prices. With the future policy uncertain, and the cost of manufacturing relatively high, a decline in output of hogs for bacon-making purposes is resulting and the home contribution to the United Kingdom's total bacon needs may be smaller in 1938 than in 1937. This suggests increased imports.

During the autumn of 1937 reports from Europe indicated decreases in hog numbers in most of the important countries, so that hog slaughter in Europe in 1938 may be lower than in 1937. Reduction in numbers in the exporting countries of northern Europe has been due in part to conformation with requirements of British import quotas and also to the high price of feed. In the southeastern parts of Europe, hogs have not been reduced in numbers, but as the market depends largely upon an interchange of lard and pork for industrial goods within Europe, inability to absorb a larger volume of industrial goods has limited hog production.

In view of an expected continuation of present industrial activity demand for pig products by the United Kingdom during 1938 should be maintained at a reasonably high level, thus giving strong support to the market for hog products. This, combined with no prospects for an immediate change from the present regulated production in European countries serving the United Kingdom bacon market, is quite reassuring to Canadian hog producers, and existing hog feed supplies should be utilized to good advantage. Should the 1938 spring crop conditions be favourable, a fairly marked expansion in breeding for 1938 fall pig farrowings may be expected both in Canada and the United States.

Sheep and Wool

Sheep production in 1937 for meat purposes shows a slackening of the decline which has been continuous since 1932. While inspected slaughterings were slightly lower in 1937 than in 1936, local slaughterings largely offset this reduction. From the standpoint of production, the market at the close of 1937 was quite satisfactory. Storage stocks of lamb were substantially lower and an increase of 60 per cent in the number of western lambs being fed in the eastern feed-lots indicates that there will be a substantial increase in the volume of the early marketings of finished lambs in 1938. The price of lambs has been high during the past two years and this is expected to continue, particularly for well-finished lambs at correct weights.

The price of wool during the fall months of 1937 was adversely affected by a slackening in the manufacture of textile products, accompanied by weakness in the commodity and security markets. A reduction in Japanese requirements and smaller consumption in the United States and Canada contributed to this condition. Indications are that world supplies in 1938 will be somewhat larger than in 1937.

Sheep and Lambs.—Sheep population at June 1, 1937 showed slight increases in all provinces except Ontario and New Brunswick, the total number being 3.3 million head. Inspected slaughterings of sheep and lambs showed a decrease of about 3.5 per cent from January to mid-November, 1937, as compared with the same period of the previous year. For the period from June to mid-November, slaughterings were more than 11 per cent below the same period of 1936. Local slaughterings of lambs would largely account for the decrease in inspected slaughterings. The pressure on holdings was somewhat relieved by a sharp increase in the number of western lambs shipped into eastern feed-lots for winter fattening. These shipments approximated 36,000 head as compared with about 22,000 head for the corresponding period of the previous year, an increase of more than 60 per cent. Storage stocks of lamb on November 1, 1937 showed a decrease of almost 40 per cent from the same date in 1936.

The relatively good prices which have been secured for finished feed-lot lambs during the past two years have encouraged winter feeding in the Eastern Provinces and in turn have provided an excellent market for good feeder stock from the Prairie Provinces. Prices during recent years have risen as a result of improvement in quality and merchandising methods, the increase in the price of wool, and in sympathy with higher prices for hogs and cattle. During 1937, average lamb prices were higher at markets in the East for each month to the end of October, while prices of western lambs were higher for almost the whole period. Lamb marketings in Canada are largely on a domestic basis and therefore prices are influenced little by changes in the export market. Less than 2,000 sheep and lambs were exported to the United States during 1937.

The number of lambs going into feed-lots in the United States for the winter of 1937-38 was probably larger than a year earlier, with most of the increase in the Corn Belt States where feed supplies were more ample than the previous year and feed prices lower. It is expected that the output of fed lambs to the end of April will be larger than a year earlier, although the total supply of all classes of sheep and lambs may not show any increase. It is not expected that the sheep and lamb numbers in the United States will change materially during the next few years.

Wool.—The total wool clip in Canada in 1937 of approximately 19 million pounds was slightly higher than that of 1936. After relatively stable prices during the summer of 1937 a sharp decline occurred in October, but prices remained above those of 1936. Future wool prices would appear to be dependent on the duration of the business recession which began late in 1937. Prices show

no tendency to advance without further support from foreign markets. Indications in the United States are that wool prices in 1938 will be lower than in 1937. The United States expects a smaller domestic mill consumption in 1938 as compared with the high rate experienced during the previous two years. Consumption by mills in Canada was higher during the early part of 1937 but, due to later weakness, the total for the twelve months may not exceed that of 1936. Estimates of world wool production in 1937 showed an increase of approximately three per cent over 1936 in those countries producing about 75 per cent of the world crop exclusive of Russia and China. Late in 1937, available information was to the effect that supplies of wool in foreign importing countries were relatively small, except in Japan. Indications are that world supplies of wool in 1938 will be somewhat larger than in 1937, but still below average.

Horses

A small decline in the estimated number of horses on farms in Canada was indicated at June 1, 1937. Numbers have been declining since 1924 as a result of reduction in breeding activities, but the rate of decline has slackened in the past few years and it appears that the new foal crop is almost sufficient to offset the deaths of older horses and sales off farms.

The extent to which the substitution of mechanical power for horses will be carried depends largely upon the relative prices of horses and mechanical equipment, the prices of feed and tractor fuel, and farm income. Tractor prices, like horse prices, have increased in the past two years, and the introduction of handy-sized tractors and rubber-tired equipment is a factor of increasing importance.

During the first half of 1937, a further increase occurred in the price of horses. Since June, prices have eased off, due largely to the enforced selling of work horses in the drought areas of Western Canada. Horses from other areas have not moved briskly this fall, as the market outlets in Eastern Canada have been overloaded at the time of year when market demand is dull. The movement of horses from Western to Eastern Canada for the first ten months of the year exceeded by over 4,000 head the total shipments in 1936. Exports to the United States totalled slightly less than 10,000 for the first ten months of 1937 at an average price of \$129, about \$8 above the average of 1936. Exports to Great Britain were 426 to November 1, 1937, against 283 for the corresponding period of 1936. Prices up to \$500 per head were realized in London and Glasgow for choice drafters, with many good horses bringing \$300 to \$400.

In nine breeding station districts in the Dominion, saddle and hunter horses and horses for police, remount and light delivery purposes are being produced in considerable numbers. This type of horse is in keen demand in Canada and the United States for pleasure and utility, and there is little likelihood of any decline in popularity. The annual requirements of Trinidad and the Barbados for horses for constabulary work are secured in the breeding station districts.

The attitude of farmers to horse production in general is pretty well indicated by the fact that horse breeders' clubs have increased from 125 in 1933 to 254 in 1937. The number of purebred stallions qualifying for approval in 1937 shows an increase of 21 per cent over 1936. Increased production activity is evident throughout the Dominion.

The unfortunate shortage of feed, due to drought in large areas of Western Canada and the consequent necessity of reducing herds and flocks will naturally have an adverse effect on the rate of horse production for the next few years in the areas concerned. In addition, the heavy loss of horses from the recent epidemic of Encephalomyelitis (sleeping sickness) is causing much concern from the standpoint of replacement. At present however prices of work horses are sufficiently high, their value as power producers in successful agriculture sufficiently appreciated, and interest in horse production sufficiently keen to indicate that horse breeding will be continued on a scale at least comparable with that of 1937.

EGGS AND POULTRY

Apart from abnormally heavy production of eggs early in 1937, supplies were about the same as the average of recent years. Egg prices, with the exception of the first six weeks of the year, were about the same as in 1936. Egg production during the first ten months of 1938 will probably be no higher than that of the same period of 1937. Approximately 99 per cent of the Canadian egg production is consumed in Canada. Feed prices will be somewhat lower for egg producers early in 1938 than was the case a year previously. The poultry market in 1937 showed a distinct improvement over 1936. Exports of live and dressed poultry showed a marked increase in 1937. Stocks in storage at the beginning of 1938 should be below those at January 1, 1937. Exports to the United States in 1938 are not expected to be as heavy as during 1937. Prices of poultry in 1938 should be about equal to those of 1937.

Eggs

Egg prices in 1937 did not continue the upward trend which had been apparent through the three previous years. At certain periods quotations were slightly higher than those of 1936, while at other times they were lower. The market was particularly weak from the first of January to the middle of March. On January 1, 1937, Montreal prices were three cents below the six-year average 1932-37 and on March 1, they were seven cents lower. While 1937 egg prices were, with the exception of the first six weeks of the year, about on a parity with those of 1936, the relative position of producers was adversely affected by increased feed prices. There had been some advance in feed prices during the latter part of 1936 but further substantial increases took place early in 1937, practically coincident with the sharp break in egg prices. The weak market during the first six weeks of 1937 was directly due to the abnormally heavy production which was partly the result of mild weather. Apart from the period referred to, market supplies of eggs were about the average of recent years. Stocks of shell eggs in cold storage on September 1, 1937, were 11.2 million dozen as compared with the 1935-37 average on that date of 10.4 million dozen.

The demand for eggs during 1937 varied little from that of the years immediately preceding. Exports to the United Kingdom showed some increase, being 1.3 million dozen as compared with 670,000 dozen for 1936.

Volume of egg production during the first ten months of 1938 will probably be no greater than that of the same period of 1937. Production in any year is dependent to a considerable extent on the number of pullets reared the previous year. Plants operating under Hatchery Approval hatched 12.9 million chicks in the 1936-37 season and 11.7 million chicks in the previous season. Information is not available on the total hatch from all hatcheries and on farms. On June 1, 1937, there were 54 million hens and chicks on Canadian farms as compared with 55.7 million on June 1, 1936. The number of birds under six months is available for all provinces except Ontario, and on June 1, 1937, was 16.2 million head. The figure for the previous year was 17.8 million head. These figures indicate that laying stock in the country at the beginning of 1938 will probably be slightly less than at the beginning of 1937.

Apart from the possibility of a further increase in exports to the United Kingdom, there is no indication that the demand for eggs in 1938 will vary materially from that of 1937. Domestic requirements account for approximately 99 per cent of the total egg production. The importance of the export trade to the general market position, however, is much greater than the percentage

indicates. Some increase in exports may be expected and a doubling or trebling of this trade would have a decidedly beneficial influence on the winter egg market for 1938-39.

The relative position of egg producers in 1938 should show some improvement over 1937. There is nothing which would indicate that prices during 1938 will be lower than in 1937 and there are certain factors, such as the favourable movement of the 1937 storage pack up to December 1, which might lead to slightly higher prices for 1938.

The feed situation promises to be somewhat more favourable for the egg producer during the first part of 1938 than it was in 1937. In the first eight months of 1937 feed prices reached their highest point since 1930. Shortly after the start of the 1937-38 crop year feed prices showed a substantial decline from the high point reached earlier in the year. On November 15, 1937, feed prices were at approximately the same level as on the same date in 1936. Barring unforeseen circumstances it is expected that feed prices during the first half of 1938 will correspond to those of the last three months of 1937.

In recent years there has been a trend away from the high egg prices which formerly prevailed during January, February and early March. Important reasons for this are improvement in feeding and management and an increase in the practice of renewing farm flocks through the purchase of baby chicks from well-bred stock. The result is that the pullets begin to lay during the latter part of the winter and production is heavy during January, February and early March, unless set back by very extreme weather.

Poultry

The poultry market in 1937 showed a distinct improvement over 1936. Contributing to this condition were heavy exports of dressed poultry to the United Kingdom and heavy shipments of live poultry, chiefly from Ontario, to nearby United States markets. Exports of live poultry for the first ten months of 1937 were 953,636 birds. Exports for the corresponding period in 1936 were 320,098 birds and 29,877 birds in 1935. Exports of dressed poultry for the first ten months of 1937 were 71,863 boxes compared with 32,247 boxes for the same period in 1936. As a result of this export movement the poultry market was in a firm position when the 1937 autumn marketing season began. Prices of live chickens were two to three cents above 1936 and fowl prices were one to two cents higher.

Stocks of poultry in cold storage at January 1, 1937, were high, being 16.8 million pounds as compared with the five-year average 1933-37 of 11.7 million pounds. The heavy exports to the United Kingdom and the fact that most of the poultry marketed early in the 1937 season went alive to the United States resulted in a satisfactory reduction of these storage stocks. On November 1, 1937, storage holdings were 3.8 million pounds as compared with the five-year average 1933-37 of 3.6 million pounds. Total supplies of market poultry during 1938 will depend on the quantity of the 1937 crop accumulated in storage and on the volume of fresh marketings during 1938. In view of the large volume of eastern poultry which was shipped alive to the United States and in view of the fact that there was less poultry in the country on June 1, 1937, than on June 1, 1936, stocks of poultry in storage at the beginning of 1938 should be considerably lighter than at the beginning of 1937. The volume of fresh marketings in 1938 will depend largely on the volume of hatchings during the 1937-38 incubation season.

It appears questionable whether exports of live poultry to the United States will be as great in 1938 as in 1937. The large shipments in 1937 were caused in part by a light poultry crop in the United States, which brought about higher prices. At Buffalo these averaged two to three cents per pound above 1936

prices on fowl and as much as six cents on chickens. The prices which could be paid on eastern Canadian farms by export buyers attracted large marketings of live poultry. Indications are that hatchings in the United States during the 1937-38 season will be much heavier than a year ago and that the poultry crop will be correspondingly larger. If prices are affected as a result, exports of live Canadian poultry to that country in 1938 will probably not be as heavy as in 1937.

The demand for exports of dressed poultry to the United Kingdom in 1938 is expected to be almost as large as that of 1937 although lighter storage stocks in Canada will probably mean that there will be smaller supplies available for export. Competitive supplies from other countries are not expected to be greater in volume in 1938. Relatively satisfactory prices to the producer should be maintained for poultry through 1938. The trend of poultry prices in recent years has been irregular. Relatively high prices were paid producers for the 1935 crop, the disposal of which was not profitable from the buyers' standpoint. This resulted in lower values during 1936. The satisfactory movement of the 1936 crop and the heavy shipments of the early 1937 crop to the United States brought 1937 prices above those of 1936. The advance in quotations in 1937 has not been extreme and with lighter storage stocks to dispose of, the domestic market during 1938 should be as strong as in 1937. Prices for live poultry in the east during the early part of the 1938 season may not be as high as in 1937, depending on the position of the United States market at that time.

Turkeys.—Prices of turkeys at the opening of the 1937 marketing season were slightly higher than in 1936. The price at Winnipeg for Grade A young birds was 20 cents per pound in 1937 as compared with 19 cents in 1936. There has been a fairly steady upward trend in turkey prices since 1932 when the low point was 11 to 12 cents per pound at Winnipeg. A lighter turkey crop for 1937 is indicated as the turkey population of Canada at June 1, 1937, was 1,998,000 birds as compared with 2,045,000 at June 1, 1936. The most significant change was in British Columbia where the population increased from 36,400 birds at June 1, 1936, to 46,590 at the same date in 1937.

Exports of turkeys to the United Kingdom for the 1936 Christmas market were 5,974 boxes. Exports for 1937 are expected to be somewhat lighter than for 1936. Turkey numbers in Europe were reported to be somewhat greater in 1937 than in 1936. France, once a heavy exporter of turkeys to the United Kingdom, but more recently a negligible factor in this trade, is again entering the market as a result of currency adjustments. The trend of prices in the United Kingdom for the 1937 Christmas trade was slightly easier. Prospects for 1938 indicate about the same price levels as have prevailed during 1936 and 1937. It should be pointed out however that the disposal of lightweight, poor quality birds has been very unsatisfactory in recent years.

DAIRY PRODUCTS

Total milk production in Canada has shown a steady increase for the past nine years. Prices were higher in 1937 and the value of dairy production was the greatest recorded since 1930. Increased returns from the sale of dairy products, along with fairly abundant feed supplies in some sections of the Dominion, will tend to induce farmers to feed for a heavier milk flow during the present winter. Production of creamery butter for the ten months ending October 31, 1937 was about three million pounds below the corresponding period of 1936. Butter prices increased substantially in 1937 as compared with 1936. Storage stocks of butter on November 1, 1937 were 47.7 million pounds as compared with 53.1 million pounds a year previous. The lower stock position of this product would indicate that the market will be firm and prices average higher during the early part of 1938. Cheese production during 1937 reached the highest level since 1928. Exports were increased and prices were also considerably higher. Cheese prices in 1938 will as usual depend upon the United Kingdom market. Concentrated milk production was increased 37 per cent during the first nine months of 1937 as compared with 1936. The chief gain was in the production of evaporated milk.

Milk

The total milk production of Canada has shown a steady increase for the past nine years. During the five-year period 1932-36 milk production increased from approximately 15,900,000,000 pounds in 1932 to 16,700,000,000 pounds in 1936, and a further advance of approximately 200 million pounds is indicated for 1937. Based on 1936 figures, the quantities of milk sold off farms in fluid form for household use, consumed on farms and fed to live stock, constituted 40.5 per cent of the total milk production of the Dominion. Creamery and dairy butter combined absorbed 49.7 per cent; cheese 7.9 per cent; concentrated milk products 1.2 per cent; and ice cream slightly more than 0.5 per cent of the total farm supply. The value of all dairy products which reached a total of \$208,200,000 in 1936 made another significant gain in 1937, when due to increased production and higher prices, the value was the greatest recorded since 1930.

The milk cow population of Canada increased from 3,874,000 at June 1, 1936, to 3,940,500 at June 1, 1937, an increase of 66,500, while heifers being raised for milking purposes advanced from 841,800 to 915,000, an increase of 73,000. Since this survey was made, the shortage of feed in Saskatchewan and part of Alberta has caused a reduction in the live stock population, but the dairy cows sold off farms during this time represented only a small percentage of the total cattle sales. A larger percentage of cows were milked during 1937 than in the previous year. Increased returns from the sale of dairy products and fairly abundant feed supplies in some sections of the Dominion will tend to induce farmers to feed for a heavier milk flow during the winter of 1937-38. Milk production per cow has shown some increase over the previous year, and with the lower-producing cows being weeded out as a result of general live stock improvement, production per cow may show a further advance in 1938. Exports of dairy cattle declined from 6,283 during the first nine months of 1936 to 4,883 during the corresponding period of 1937.

Butter

Production of creamery butter for the ten months ending October 31, 1937, was 221.3 million pounds, a decrease of over three million pounds compared with the same period in 1936. In addition there is an annual production of approximately 100 million pounds of dairy butter made on farms. There was a slight increase in creamery butter production in the Maritime Provinces, and the Prairie Provinces as a unit had an increased production of approximately two million pounds in spite of the severe drought conditions in large areas of Saskatchewan and in some sections of Alberta, where butter production dropped slightly. In Quebec and Ontario, however, where 62 per cent of all creamery butter is manufactured, the output decreased nearly 4.8 million pounds, and in British Columbia, nearly 0.5 million pounds or 10 per cent. In the Prairie Provinces, butter production was less during the early months of 1937 than in the corresponding months of 1936, but during the summer and early fall there was sufficient improvement to offset the earlier decline. This improvement was due to favourable pasture and feed conditions in Manitoba and parts of Alberta and to a greater number of cows being milked. During the first part of 1937, production in Ontario and Quebec was greater than that of the previous year, but during the summer production was less than in the corresponding months of 1936, due largely to a diversion of milk supplies to cheese factories and concentrated milk plants. Ample feed supplies, especially in Ontario, coupled with some diversion of milk to creameries after cheese factories have closed may tend to increase butter production during the winter months. Total production in 1937 will scarcely equal that of 1936.

Exports of creamery butter for 1937 will approximate four million pounds as compared with five million pounds during 1936. Up to the end of September, exports of butter amounted to only 371,700 pounds as there was no movement to the United Kingdom. During October and early November, prices on the London market firmed and there was rather an extensive export movement with slightly more than 3.5 million pounds going to the United Kingdom markets. While exports of cream increased during 1937, the total amount of butterfat exported as cream during the nine months ending September 30 was the equivalent of only 411,000 pounds of butter, which had no appreciable effect on the creamery butter situation. Imports of butter during the nine months ending September 30, 1937, were not significant, being only 57,458 pounds as compared with 108,749 pounds during the same period of 1936.

Butter prices increased substantially during 1937 as compared with 1936, and were higher than for any year since 1930. Wholesale prices for No. 1 pasteurized creamery butter at Montreal averaged 25.98 cents per pound during the ten months ending October, 1937, as compared with 23.25 cents for the corresponding period of 1936, an increase of 2.73 cents per pound. Average monthly wholesale prices have been higher for each month in 1937 than in 1936, the increases ranging from 0.82 cent in January to 4.43 cents in October. For the first nine months of 1937, London quotations for butter of a grade comparable to Canadian No. 1 pasteurized averaged 2.72 cents per pound below Montreal prices. The spread ranged from 6.18 cents in February to 0.13 cent per pound in May. In October and early November prices on the London market were higher than the wholesale price at Montreal. At New York, prices for 92 score butter continued to be considerably higher than Montreal quotations, but the average spread of 7.5 cents in 1937 was not as great as that in 1936.

Storage stocks of creamery butter at the beginning of each month were higher for the first five months of 1937 than for the same dates in 1936. Since that time butter stocks have been somewhat lower each month and on

November 1, 1937, were 47.7 million pounds as compared with 53.2 million pounds on November 1, 1936, and were lower than on the same date of the past three years.

Apparent butter consumption per capita in Canada was estimated at 31.4 pounds for 1936, which was a slight increase over that of the past few years. For the ten months ending October, 1937, the total apparent consumption of creamery butter in Canada was approximately seven million pounds more than for the same period in 1936 in spite of higher prices. Increase in apparent consumption of creamery butter may be accounted for by the normal increase in population, by improvement in employment and general economic conditions, by the increase in tourist traffic, and probably to some extent by the slight decrease in the production of butter on the farms. In general, substantial improvement in the creamery butter industry was shown in 1937. The value of the creamery butter manufactured was increased by \$4,500,000, based on average wholesale prices at Montreal, which have been reflected in higher prices for churning cream paid to the farmers. Since butter is the leading dairy product manufactured during the winter season, the lower stock position of this product on November 1, 1937, would indicate that the market will be firm and prices should average higher during the early part of 1938 than during the same period of 1937.

Cheese

Factory cheese production during 1937 made further advances, and reached the highest level since 1928. Exports increased over the previous year, and as prices have also been considerably higher, prospects for 1938 are encouraging. Production has been increasing since 1934 when the output was 99.3 million pounds, the lowest since the turn of the century.

The 1936 figure exceeded that of the previous year by 18.7 per cent and was 9.3 per cent higher than the five-year average 1931-35. For the first ten months of 1937, production approximated 122 million pounds, an increase of 10.4 per cent over the same period of 1936. The peak production occurred in 1903, as indicated by an export figure of 234 million pounds for the year ended June 30, 1904. Apart from the periods 1922-25 and 1934 to date, there has been a steady decline in the output of cheese since 1903.

A substantial increase in cheese prices has occurred since the low level of 1932 when the wholesale jobbing quotation of No. 1 Ontario cheese at Montreal averaged 9.74 cents. Prices in 1936 were 1.72 cents per pound higher than in 1935 and for the first ten months of 1937 the average was 13.93 cents, an advance of 1.27 cents over the same period in 1936. Higher prices for cheese on the United Kingdom market were chiefly responsible for advances in the price of Canadian cheese. During the first nine months of 1937 prices of Canadian cheese in London averaged 16.30 cents, an increase of 1.50 cents per pound over the same period in 1936. The premium received over New Zealand cheese of a similar type for the same period was 1.92 cents compared with 1.77 cents for the previous year.

Exports of cheese have increased from the low point in 1935 when the figure was 55,718,700 pounds. For the first nine months of 1937 the figure was 55,787,000 compared with 44,783,000 pounds for the same period in 1936. In the 1931-35 period 66.5 per cent of the factory cheese produced was exported. The comparative figure for 1936 was 68.7 per cent. The bulk of these exports go to the United Kingdom. Exports to the United States were lower in 1937 compared with 1936 due to a more favourable market in the United Kingdom. Imports of cheese into Canada for the last few years have equalled about one per cent of domestic production and consist chiefly of types not manufactured in Canada.

Imports of cheese into the United Kingdom for the first nine months of 1937 were nearly 13 per cent higher than for the same period in 1936 and the total for the year 1937 should equal the 1929-31 average of 335·7 million pounds. Imports from Australia and New Zealand were slightly higher for the first nine months of 1937, while imports from Canada were substantially greater. In 1936 New Zealand supplied 62·8 per cent of the United Kingdom import requirements, while Canada supplied 22·5 per cent.

The total apparent consumption of cheese in Canada for 1936 was 37·2 million pounds compared with the 1935 figure of 39·6 million pounds. Per capita consumption was slightly lower at 3·37 pounds as compared with 3·62 pounds for 1935. Stocks of cheese in Canada at November 1, 1937, were 36·5 million pounds as compared with 33·0 million pounds at the same date in 1936. The figure for 1937 however includes 2·2 million pounds reported by firms added to the list since February, 1937.

Concentrated Milk Products

Concentrated milk production for the first nine months of 1937 was 117·8 million pounds, an increase of approximately 32 million pounds or 37 per cent as compared with the corresponding period of the previous year. Analysis of production figures shows that evaporated milk represented over 81 million pounds of the total and this product accounted for over 77 per cent of the gain over 1936. All products, with the exception of skim milk powder and cream powder, were produced in greater quantities during the first nine months of 1937 than during the same period in 1936. Demand for concentrated milk products, both domestic and export, was exceptionally good in 1937. Exports of evaporated milk during the first nine months of 1937 were greater by more than six million pounds, and of condensed milk by 2·2 million pounds than during the corresponding period of the previous year. As usual imports of concentrated milk products during the period under review were small. Stocks on hand at October 1, 1937 were normal, being only about 2·5 millions pounds greater than on the same date in 1936.

Foreign Situation

The winter of 1937-38 will probably be one of the most favourable for dairymen in the United States since 1930. Feed supplies are large in relation to live stock numbers and feed prices are lower than in the previous year. In addition, prices of dairy products are expected to be the highest since the winter of 1929-30. In consequence an increase in the total milk production is expected but this may be offset by the relatively high prices of beef cattle and hogs which will tend to prevent expansion of dairying in general farming areas.

During the 1936-37 season in New Zealand a record production of butterfat was reached in spite of the fact that many dairy farmers changed over to sheep farming, attracted by higher returns for wool and fat lambs and lower costs. For the coming season guaranteed prices for butter and cheese have been increased over the previous season's prices and it is proposed to increase the premium for cheese to yield about four cents per pound butterfat. This increase of premium for cheese over butter will no doubt have some influence in stimulating cheese production during the 1937-38 season. In Australia for the second year in succession production of butter and cheese suffered as a result of drought and other unfavourable weather conditions.

The dairy situation in Denmark has improved during the past year. Pasturage was exceptionally good during the summer of 1937 and indications are that production will be maintained at a high level throughout the winter months. The other Scandinavian countries, Sweden particularly, report very favourable conditions for milk production. Exports of butter from the Baltic countries to the United Kingdom and Germany during the first nine months of 1937 indicate that volume of production was about the same as that of the previous year.

Dairy production in Holland continued to expand during 1937. The increase in butter production during the past few years at the expense of cheese appears to have been checked in 1937 as indicated by supplies shipped to the United Kingdom. Two factors which would indicate increased production during 1938 are an upward trend in milk cow population and a favourable feed situation. In South Africa there has been an increasing home demand for butter and cheese. Dairying in that country is becoming better established each year and every effort is being made to improve quality. It is reported that Argentina intends reorganizing the dairy industry along the lines already adopted in such countries as Denmark, New Zealand and Australia. If the plan is carried out, increased production of dairy products may be expected as certain sections of the country are ideal for dairying.

In the United Kingdom during the past few years there has been a growing tendency toward the manufacture of more butter and less cheese. For the first seven months of 1937, the combined production of factory and farm-made cheese was 57.9 million pounds as compared with 82.3 million pounds in the corresponding period of 1936. Arrangements under the Milk Act, 1937 are expected to assist the producers of milk for manufacturing purposes by a price insurance plan. This is designed to safeguard the industry against any serious fall in the prices of butter and cheese, in the event of import prices falling below a set price for any length of time. Consumption of butter and cheese was well maintained in the United Kingdom during 1937 despite the fact that prices were higher than in the previous year.

FRUIT

Apple tree plantings declined from 1925 to 1934 but have been increasing since the latter year. The long period of reduced plantings will probably influence total production in the next few years. The 1937 apple crop was one of the largest on record, being 14 per cent greater than the five-year average 1931-35. The increase was general in all producing provinces, although the Nova Scotia exportable crop was reduced by severe storms in September. Recovery of apple trees in Ontario, Quebec and British Columbia from recent winter injury has been more rapid than was expected. While the early domestic market was rather slow, exports have been brisk. Prices to producers have been a little lower than in 1936 but with the larger crop, gross income is expected to exceed that secured for the 1936 crop. There was a sharp increase in peach tree planting in 1936 and 1937 and production is expected to increase within the next few years. The 1937 crop was 49 per cent above that of 1936. The introduction of new early varieties has advanced the main production period of peaches. The number of pear trees planted annually has been increasing rapidly since 1933, but production has not yet been affected. The 1937 pear production was five per cent below that of 1936. There was a slightly higher yield in British Columbia but a 20 per cent decrease in Ontario. While the grape crop increased by more than 40 per cent from the previous year, production was still below the average of recent years. The trend in grape plantings has been steadily downward and the high point of production probably has been passed. The cherry crop was below average for the third successive year, adverse weather conditions being mainly responsible. Strawberry production was sharply higher than in 1936 but still short of the record yield of 1935. The raspberry crop practically equalled the average of the years 1931-35.

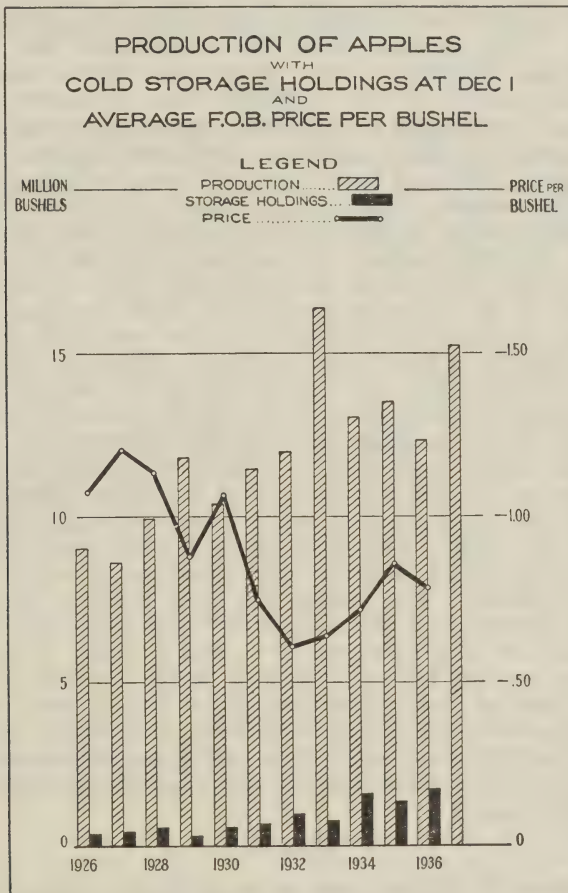
Apples

The production of apples from year to year depends on the number of bearing trees and the yield per tree. It is not possible to predict the yield per tree in 1938 but a survey of apple tree plantings in Canada should provide some indication of what may be expected in the future. Apple tree plantings were comparatively high and tended to increase from 1919 to 1925, in which year 603,000 trees were set out. After 1925, the number of trees planted annually fell off gradually to a low of 265,000 trees in 1934. Since 1934, plantings have steadily increased to an estimated total of 491,000 in 1937. The decline in plantings from 1925 to 1934 has not yet been reflected in production figures, but it is probable that such will be the case within the next few years. Recovery of apple trees in Ontario and Quebec from the severe winter killing of 1933-34 has been more rapid than was expected, but production in these provinces in 1937 was still below the level of 1931-35.

Following the slightly below average crop of 1936, amounting to 4.1 million barrels, the yield of 5.0 million barrels in 1937 was one of the largest on record. It was 23 per cent greater than 1936 and 14 per cent above the five-year average 1931-35. The increase in yield was evident in all producing provinces. Growing and harvesting conditions were generally favourable, except for the disastrous storms which visited Nova Scotia. Heavy gales swept the Annapolis Valley on September 11 and 14 causing windfalls of around

half a million barrels. While a considerable proportion of this was salvaged, chiefly through disposal to processing plants, the loss to many producers was severe and undoubtedly the returns for the total crop in Nova Scotia will be reduced accordingly. An outstanding feature in the apple situation was the unexpected and remarkable recovery of the trees in British Columbia from the set-back caused by the frost during the winter of 1935-36. While many trees were killed outright and others are still in a weakened condition, the 1937 yield of about 5.2 million boxes is well above average and indicates the extent of recovery.

The early movement to domestic markets was somewhat below 1936 shipments, but that situation was offset to a great extent by an increased volume



of exports. As of December 1, shipments of barrel apples to United Kingdom markets alone were 81 per cent greater than 1936 shipments up to the same date while box apples also showed an increase of 35 per cent. This movement however was only 9 per cent greater than the 1932-36 average for barrel stock and 14 per cent greater for box apples.

Generally speaking, prices to producers in the autumn of 1937 ruled a little lower than those which prevailed a year previous. Export control measures early in the shipping season regulated the total movement in keeping with market requirements and returns for fall varieties were fairly satisfactory.

As the season advanced, export prices declined moderately, but the tendency was upward in the month of November. The situation in December gave every indication that the large crop of apples would be disposed of at prices which should give a gross income exceeding that secured for the 1936 crop.

While imports of apples reached the same total for the year ending March 31, 1935-36, amounting to 55,000 barrels each year, this volume was nearly 30 per cent less than the five-year average 1931-35 of 78,000 barrels. Imports from the United States in 1937 were less than 50 per cent of the average for the years 1931-35; on the other hand imports from other countries, chiefly New Zealand and Australia, showed a marked increase.

Peaches

Plantings of peach trees in Canada rose sharply from 81,000 in 1920 to 178,000 in 1928. They declined to 84,000 in 1930 and then rose sharply to 246,000 in 1936 and 233,000 in 1937. Production figures reached a peak in 1931 but have since fallen off. It is probable that the heavy plantings of the last few years will be reflected in increased production in the near future.

Peach production in 1937, estimated at 641,000 bushels was 50 per cent more than the small 1936 crop but 11 per cent less than the five-year average 1931-35 of 720,000 bushels. The yield in Ontario of 523,000 bushels as compared with 402,000 bushels in 1936 was still about 20 per cent below the five-year average of 650,000 bushels. In British Columbia the crop of 118,000 bushels was more than four times the small 1936 yield of only 28,000 bushels and 168 per cent of the five-year average of 70,000 bushels.

The increased production in British Columbia was partly accounted for by the coming into bearing of quite large plantings. While the crop was generally of good quality, the fruit was small in the Rochester and earlier varieties due mainly to the effects of injury received during the winter of 1935-36. Despite the comparatively heavy tonnage, the crop was disposed of readily.

While the production of peaches in Ontario was about 30 per cent greater than in 1936, bearing acreage remained about the same. However, heavy new plantings were taking place annually and will soon more than offset the acreage reduction shown in 1936. The fresh fruit demand was stimulated by an advertising campaign which informed the consumer of recent change in the heavy production period. This change has been brought about by the comparatively heavy plantings of the newer "V" type varieties, Veteran, Vidette and Valiant, which are now harvested in volume ten days to two weeks earlier than the Elberta variety, formerly the first heavy producer.

Imports of peaches during the fiscal year 1936-37 totalled 16.3 million pounds as compared with 9.7 million pounds imported during the previous year, or an increase of about 68 per cent. The 1937 figure represents an increase of nearly 147 per cent as compared with the five-year average 1931-35 of approximately 6.6 million pounds.

Pears

Pear production in Canada has remained fairly constant since 1930 at approximately 450,000 bushels. This reflects little variation in plantings of pear trees, which averaged 56,000 trees from 1926 to 1933. Since 1933, however, there has been a rapid increase in plantings, reaching an estimate of 114,000 trees in 1937. These increased plantings, chiefly of the Kieffer variety, should begin to swell production within the next few years.

The yield of pears in 1937 was slightly less than that of last year, the reduction being about five per cent. The yield of 408,000 bushels was about nine per cent under the five-year average 1931-35 of 449,000 bushels. The slightly larger crop in British Columbia was more than offset by a reduction of 20 per cent in Ontario. Production in Ontario was estimated at 157,000

bushels as compared with 197,000 bushels in 1936, and an average of 241,000 bushels during the five-year period 1931-35. Nova Scotia pear production of 18,000 bushels was the largest on record. While export shipments were light, the domestic demand from processors and fresh fruit trade was improved. In British Columbia the yield of Bartlett's showed an increase, but that of the Flemish Beauty variety declined. Demand has been good and if maintained should result in the disposal of stocks on hand somewhat earlier than last year.

Export movement of Ontario pears from the 1937 crop was confined to a few cars. The bulk of the crop moved to the domestic fresh and processing trade at prices somewhat below those prevailing in 1936.

Pears imported in 1936-37 amounted to 23.2 million pounds, or an increase of 28 per cent as compared to the 18.1 million pounds imported the year previous. Importations in 1937 however were 70 per cent more than in the five-year period 1931-35, when they averaged 13.6 million pounds.

Grapes

The high point in grape vine plantings occurred during the three years 1929-31 when an average of 1,495,000 vines were planted. This was followed by a sharp reduction in plantings and from 1932 to 1936 inclusive the average was only 235,000 per year. It is estimated that in 1937 there were 196,000 vines planted which, with the one exception of 1933, was the smallest planting in the past 15 years. The Concord and Niagara varieties are the main varieties taken by the wineries. This is indicated by the fact that these two varieties comprise about 90 per cent of the grape acreage in Ontario.

The grape crop in 1937 was estimated at approximately 32.7 million pounds as compared with 22.9 million pounds in 1936, an increase of nearly 43 per cent. The yield however was 30 per cent below the five-year average of 47.0 million pounds. The Ontario crop of about 31.4 million pounds was considerably above the exceptionally low 1936 crop, but was only 68 per cent of the average during the years 1931-35. Cumulative effects of adverse conditions in 1935 and 1936 accounted for the continued below average production, despite better sizing of berries and more compact bunches. Heavy frost which occurred on October 8, 1937, and during the next few days had a serious effect on the quality of the unharvested crop, practically stopping further volume shipments to the fresh fruit markets at a time when demand was becoming quite brisk and prices much firmer. Owing to favourable growing conditions in 1937, vines went into the winter in excellent condition.

The British Columbia grape crop, estimated at 1.3 million pounds, was only slightly larger than in 1936 but 27 per cent greater than the average 1931-35 yield of one million pounds. There have been fairly large plantings during the past few years and under normal conditions the tonnage should show a steady increase. In spite of a fairly good demand both for the fresh fruit market and the wineries, prices in 1937 were lower than in 1936.

Total imports of grapes were 26.1 million pounds in 1936-37 as compared with 19.4 million pounds in 1936, or an increase of 27 per cent. Average imports for the years 1931-35 amounted to 20.5 million pounds.

Cherries

Production of cherries in Canada has shown a slightly downward trend since 1930, reflecting the similar trend in plantings which persisted from 1922 to 1934. Plantings have been on the increase since the latter year. The 1937 cherry crop, estimated at 146,000 bushels, was one of the smallest on record, being 22 per cent less than the 1936 production of 187,000 bushels and only 64 per cent of the 1931-35 average of 227,000 bushels. The reduction occurred chiefly in Ontario where the greater proportion of cherries are produced.

The yield in Ontario of 89,000 bushels was 53 per cent of the average for the years 1931-35, although only 29 per cent below the 1936 crop of 125,000 bushels. In British Columbia the 57,000 bushel yield compares with 62,000 bushels in 1936 and the 1931-35 average of 60,000 bushels. The reduced 1937 crop in British Columbia is partly accounted for by hail damage to the Bing variety in the Okanagan Valley which also resulted in a larger volume being processed.

While many older trees suffered severely as a result of drought during the past few years, the chief reason for the reduction in yield in Ontario was too much moisture and other unfavourable weather conditions during the bloom and set period. Brown rot infestation later in the season also took heavy toll, particularly of sweet cherries. Higher average prices for sweet cherries more than offset lower returns for sour cherries and the average price for the crop was somewhat better than in 1936. Processors again purchased heavily of sour cherries and a considerable tonnage of sweet cherries was taken for the manufacture of glacé fruit, maraschino style, and wine.

Cherries imported during 1936-37 totalled 843,000 pounds, or an increase of 145 per cent as compared with imports of 344,000 pounds in 1936. The quantity imported in 1937 represented an increase of 33 per cent compared to the average 1931-35 imports of approximately 633,000 pounds.

Apricots

The yield of apricots in 1937 was 64,000 bushels, a marked recovery from the crop failure of 1936 when only 4,000 bushels were produced. The 1937 crop was also nearly 21 per cent greater than the 1931-35 average of 53,000 bushels. Prices proved very satisfactory and except for a little slowness at the beginning and end of the shipping season, the demand was excellent. Production of apricots is practically confined to British Columbia. While the trees have by no means fully recovered from the effects of the severe winter of 1935-36 they will no doubt show increased vigour with favourable conditions this winter.

Strawberries

Strawberry production in 1937, estimated at 24.3 million quarts, exceeded all past crops except that of 1935. The quantity produced was about 18 per cent greater than the 1936 crop of 20.6 million quarts and 13 per cent greater than the average of 21.5 million quarts produced during the five-year period 1931-35. The increase in yield was common to all producing provinces except New Brunswick and Quebec which showed reductions of 30 and 6 per cent respectively. Generally speaking both the fresh fruit market and processing demand held relatively firm throughout the season, although some sections report lower prices than prevailed in 1936. In the more important producing areas there is a marked tendency toward the production of the better quality varieties and those most suitable to the trade. While exports of fresh and processed strawberries were only a little over half those of 1936, shipments of 1,037,000 pounds represented an increase of nearly 96 per cent over the average exports for the years 1931-35.

Imports of strawberries of 4.6 million pounds during 1936-37 were 7 per cent less than the 1936 imports of 4.9 million pounds and a decrease of slightly more than 3 per cent compared with the average imports for the period 1931-35.

Raspberries

The yield of raspberries in 1937 was greater than in 1936 in all provinces except New Brunswick and Quebec. The 1937 crop for the Dominion was 6·6 million quarts or approximately equal to the 1931-35 average, but 17 per cent greater than the 1936 yield of 5·6 million quarts. The greatest increase occurred in Ontario where the crop was 147 per cent of the 1936 crop. British Columbia also showed an increase of 32 per cent over the previous year.

Processed Fruits

The total pack of canned fruits for 1936 was 1,201,275 cases, or approximately 300,000 below that of 1935. Canned apples increased from 245,613 cases in 1935 to 295,635 in 1936. This pack will probably be equalled or exceeded in 1937. Pears increased from 463,609 cases in 1935 to 634,531 in 1936, while peaches decreased from 444,406 cases in 1935, to 418,316 in 1936. Loganberries show an increase of approximately 16,000 cases for 1936, but other small fruits show a decline. In all likelihood 1937 will show an increase in pear and peach packs.

Exports.—Apples, pears, peaches and loganberries are the chief fruits exported, the United Kingdom taking about 60 per cent. Exports of canned apples have steadily increased to 176,183 cases in 1935 and 207,298 cases in 1936. Shipments from January 1, 1937, to November 27, amounted to 192,357 cases. This product is replacing evaporated apples to a great extent. Exports of pears amounted to 145,534 cases in 1936 and 204,000 cases for the first eleven months of 1937. Sales of Canadian Kieffer pears in England during the past two years have been increasing, although the Bartlett is still preferred. The market for peaches has been good also, exports increasing from 8,836 cases in 1935 to 33,441 cases in 1936 and 47,329 cases for the first eleven months of 1937. Government regulations now permit the use of colour in canned cherries for export trade only. This should result in a greater export demand for the Canadian cherries both sour and sweet. The total exports for 1936 were 33,088 cases and for the first eleven months of 1937 were 24,322 cases. From April 1 to October 31, 1937, nearly 1·6 million pounds of cherries in brine were imported, with about 99 per cent of this quantity coming from Italy. Loganberries decreased by about 5,000 cases in 1936 but there is considerable demand in Great Britain for this product. Exports for the first eleven months of 1937 amounted to 51,793 cases.

Evaporated Apples.—The bulk of this product is packed in Nova Scotia, although British Columbia packed a considerable quantity in 1937. The greater part of the product enters the export market, 27,796 cases being shipped in 1936. A very substantial pack was put up in 1937.

Frozen Fruits.—Freezing is now a well established method of preserving fruits and this product is in considerable demand from the hotel and restaurant trade. Suitable refrigeration has not yet been provided to permit the handling of this product by the retail trade, a temperature of zero being required for storage. Available figures indicate a 1937 pack of 435,846 pounds. The pack of small fruits in gas (SO₂) for 1937 was approximately 1,385,000 pounds consisting chiefly of cherries for remanufacturing purposes (glacé and maraschino style) and berries, peaches and apricots for jam purposes.

POTATOES

Potato acreage in 1937 was seven per cent above that of 1936 with production totalling 71 million bushels compared with 66 million bushels in 1936. Prices to producers for the 1937 crop during the fall selling period were lower than during the same period of 1936 and it is therefore unlikely that the 1937 acreage will be maintained in 1938. The acreage of potatoes inspected for seed certification in 1937 was 29,210 acres, an increase of 45·4 per cent over the previous year. The fall movement of certified seed from the Maritime Provinces was brisk although prices were lower than in 1936 and the quota of 750,000 bushels to the United States, ending November 30, was practically exhausted. Spring shipments may occur under the lower rate of duty of the new quota commencing March 1, 1938. Argentina again purchased substantial quantities of seed potatoes from the Maritimes but the permanency of this market is somewhat problematic. It is expected that there will be an increase in the 1938 acreage of potatoes for certification.

Production.—Canadian plantings in 1937 totalled 532,500 acres as compared with 496,400 acres in 1936, an increase of 7 per cent. Due to seasonal conditions, the average yield per acre was slightly lower than that of 1936 and production totalled 71 million bushels as compared with the 1936 crop of 66 million. Lower yields than in 1936 were reported in the Maritimes, Quebec and Saskatchewan. The western crop, other than Saskatchewan, was good and aggregated 4·2 million bushels more than that of 1936. A total of 29,210 acres was inspected for seed certification in 1937 as compared with 20,083 acres in 1936, an increase of 45·4 per cent. A total of 25,711 acres passed inspection in 1937 of which 87 per cent were in the Maritime Provinces.

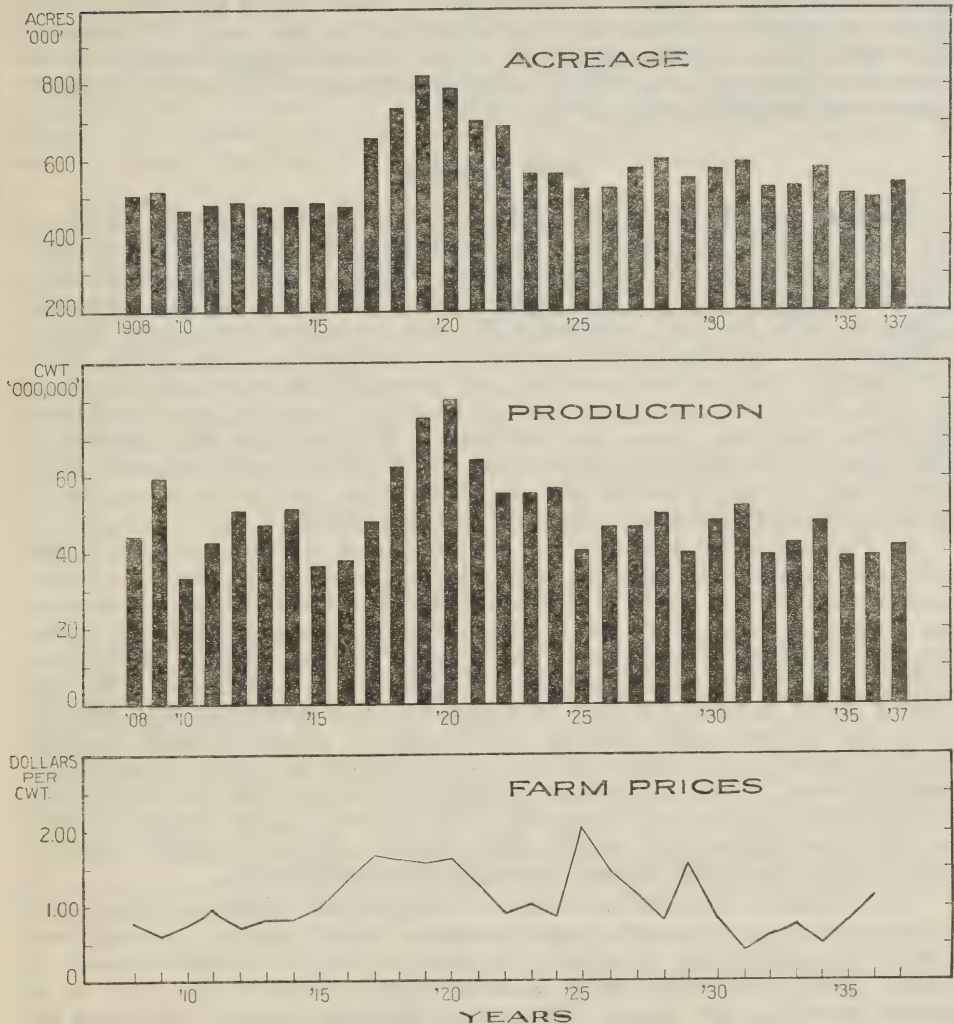
The total acreage of potatoes for Canada averaged 546,100 acres for the ten-year period 1928-37. Acreage has remained relatively uniform, and year to year fluctuations have been chiefly the result of varying prices received by growers for the preceding crop. Comparatively large crops were harvested in 1928, 1931 and 1934. Returns to growers in these years were low, and sharp acreage reductions occurred in years immediately following, but when prices became more favourable acreages again increased. With low returns being secured for the 1937 crop, it is unlikely that the 1937 acreage will be maintained in 1938.

Table Potatoes

Markets and Prices.—Returns during the early part of the 1937-38 shipping season indicate that prices will be lower than in 1936-37. The increased Canadian production together with one of the largest yields on record in the United States will probably have a depressing effect on the market throughout the entire season. Returns to producers to December 1 averaged about 23 cents per bushel in Prince Edward Island and about 19 cents per bushel in New Brunswick, as compared with 50 and 44 cents respectively in 1936. The Ontario market for Maritime potatoes will be reduced because of an increase of 1·5 million bushels in Ontario. Last season 216 cars of Maritime potatoes were received on the Toronto market during the months of September and October as compared with but 17 cars during the corresponding period in 1937.

Export market possibilities for table stock at the present time are not encouraging. The existing U.S. tariff of 75 cents per hundred pounds is pro-

POTATOES-ACREAGE, PRODUCTION AND FARM PRICES 1908 TO DATE



The expansion in potato acreage which occurred during the Great War period subsided in a few years, and acreage has remained relatively stable at slightly above the pre-war level. Influenced by wide differences in the yield per acre, production figures have been much more variable than acreage. There is a definite relationship between prices received by farmers and annual production. In 1928, 1931 and 1934 production was relatively high and in each year prices dropped to low levels. It is also noticeable that farmers reacted to these low prices and acreage was reduced the following year.

hibitive at present price levels and with the heavy production in that country it does not appear likely that prices will reach a sufficiently high level to permit Canadian imports on a competitive basis. Conditions in the Orient may possibly open a small market in Hong Kong ordinarily supplied by Japan.

By-products.—The extent to which potatoes are used for the manufacture of starch and flour depends entirely on prices for table potatoes. At the present time two factories in New Brunswick are capable of handling a total of 1,750,000 bushels to the end of June. To November 1 about 66,000 bushels had been handled, of which 75 per cent were pick-outs from certified seed. The extent to which these plants operate during the winter months depends entirely on the market for table potatoes and should prices be sufficiently low, they will probably operate continuously throughout the winter.

Seed Potatoes

Markets and Prices.—The movement of seed potatoes from the Maritimes by water during the fall months to November 1 totalled 1,600 cars as compared with some 500 cars during the corresponding period in 1936. The annual quota of 750,000 bushels to the United States ending November 30 was practically exhausted. With the duty increased to 60 cents from December 1 until the end of February, there will be comparatively few shipments to the United States until March 1 when imports under the new quota will again be admitted at the minimum rate of 45 cents per hundred pounds. Argentina again purchased substantial quantities from the Maritimes. Whether this will continue is problematic as the Argentine government has withdrawn active support of the importations of seed potatoes and is concentrating its efforts on a plan to produce sound certified stock within its own boundaries.

In Prince Edward Island fair quantities moved in October to the United States and Argentina but growers were reluctant to sell at 25 cents per bushel, the prevailing price at the farm. Although the Bliss Triumph acreage was more than doubled in Nova Scotia, all available seed has been shipped and a further increase in acreage of this variety is expected in 1938. Other varieties are moving out well and present acreage will probably be maintained. The best shipping season in years has been experienced in New Brunswick with approximately one million bushels moving to November 1, chiefly to South America. This has created much interest in seed production on the part of regular table potato growers. These growers are reminded, however, that this highly competitive trade has been obtained only with highest quality disease-free seed and that poor quality will quickly kill demand. Producers should therefore exercise every precaution against disease to ensure certification.

The unusually large fall movement of seed together with the reduced yield of late varieties may improve prices during the spring months. A larger seed acreage is expected next year and this may require all available stock. In Quebec, seed improvement work is being widely practised and will be of material benefit in the future. The present premium for seed is 20 cents per bushel above that paid for table potatoes. A fair demand is expected next spring. Three comparatively new varieties, Katahdin, Chippewa and Warba appear to be doing well in Ontario. There is a fair supply of seed available and many growers will have an opportunity to try them next season. There is little likelihood of any spring surplus and prices may possibly improve.

The seed crop on the Prairies was, on the whole, exceptionally good and there is for the first time a fair quantity available for export. The surplus could profitably be used in southern Saskatchewan where the crop was extremely light. The crop in British Columbia was about equal to that of last year and is expected to be sufficient for local demand. Shipments from Canada to November 1 were more than double those to the same date last year.

ONIONS

The Ontario 1937 onion crop is estimated at 20,100 tons or 8 per cent below the 1936 crop of 21,900 tons. A decrease of about 10 per cent in acreage together with adverse weather conditions resulted in a reduction in both quantity and quality. The Quebec crop is estimated at 2,900 tons or 15 per cent less than in 1936 and although onions are on the small side, quality is good. The British Columbia production of 8,800 tons is lower than originally estimated due to small size, insect damage and early harvesting to meet a brisk demand early in the season. As a result supplies are very much reduced with but 664 tons remaining in storage in the Interior of British Columbia on December 1 as compared with 1,389 tons on December 1, 1936. In the major commercial producing areas of Ontario on December 1, there were 1,655 tons remaining in storage as compared with 5,900 tons on December 1, 1936. In addition the quality is such that there will be further loss from shrinkage.

Markets.—Domestic demand for better quality onions has been increasingly firm with prevailing prices higher than those of a year ago. In British Columbia, exceptionally favourable weather during harvesting resulted in a crop with long-storing qualities. Export movement from Ontario has been materially reduced as a result of poor shipping quality and condition. A good demand has prevailed during fall months both in domestic and export markets particularly in New Zealand. The demand from New Zealand is doubtless due in some measure to a marketing program which regulates the volume and time of imports by the local supply situation. This resulted in a decline in early imports from Japan and California and a corresponding increase from Canada. There is every indication that the supply of Canadian onions will be exhausted quite early in the season and that materially higher prices will be paid for good quality stock. Imports of onions into Canada were 8,161 tons for the year ended March 31, 1937.

TABLE TURNIPS

Production of table turnips in Ontario was substantially increased in 1937 and the crop was of excellent quality. The September market for both plain and waxed stock was the strongest in years, and although demand declined somewhat in October an increase was in evidence early in November. Considerable movement from Ontario to New York and the Eastern States has developed as a result of reduced shipments from the Maritimes. Drought aid shipments to Saskatchewan totalled 143 cars. Waxed turnips are in demand on both domestic and export markets and twenty waxing plants are now in operation in Western Ontario. Average prices this season have been generally in line with recent years, but increased production of superior quality should result in larger returns per acre.

The Prince Edward Island crop was lower than average due to a prolonged dry spell in July and August. Although small in size, quality is reported good. Prices to producers during September were slightly higher than those of 1936 but levelled off in October to about the 1936 average. Exports from Canada to the United States during the nine-month period ending September 1937 totalled 1,284,863 bushels as compared with 1,449,708 bushels during the corresponding period in 1936.

CABBAGE

Ontario production is estimated at 26,700 tons, an increase of 55 per cent over 1936. Prices of early cabbage were lower owing to heavy production but quotations became more nearly normal later in the season. It is expected that the average price for the entire crop will be materially below that of the 1936 price of \$16 per ton net to the grower.

In Quebec, the 1937 production was about 30 per cent under that of the previous year. The quality is generally good and the crop is expected to store well with not more than the usual shrinkage. About 50 cars were shipped from Quebec and Ontario to drought areas in Saskatchewan. British Columbia production is estimated at 4,035 tons. Condition has been good at the Coast, but somewhat variable in the interior due to insect damage. A good demand prevailed at Vancouver but prospects for marketing the balance of the crop in the interior do not appear favourable. An export demand would materially aid in strengthening the market.

CANNED VEGETABLES

Production.—The total pack of canned vegetables for 1937 was 9,422,088 cases compared with 7,948,240 in 1936. While no acreage contract figures for 1936 are available it is known that the 1937 acreage was greater than that of any previous season. The following figures show the acreage contracted for the principal products: Asparagus, 1,698; string beans, 2,682; lima beans, 700; peas, 25,657; corn, 28,450; tomatoes, 41,732. Peas produced about a 55 per cent crop. Tomatoes were somewhat light in one or two districts but excellent in other sections resulting in a large pack with canning operations extending up until October 15. All other vegetable crops were good.

Exports.—The upward trend in exports of canned vegetables during 1936 was again apparent in 1937. Movement during the first nine months of 1937 as compared with the same period in 1936 shows an increase in tomato exports from 137,363 cases to 608,477 cases. Tomato juice increased from 39,153 to 73,997 cases and soups from 576,003 to 681,902 cases. Although tomato products puree and pulp show but 376,859 cases as having moved during the first nine months as compared with 720,786 cases during the corresponding period of 1936, it is expected that during the remaining three months the movement will increase sufficiently to at least equal the total of 1,132,178 cases in 1936. Asparagus, string beans, corn and peas all showed substantial increases in movement to September 30 as compared with the same period in 1936. The United Kingdom takes about 80 per cent of all exports.

FROZEN VEGETABLES

Packs of frozen vegetables decreased from 136,000 pounds in 1936 to 126,240 pounds in 1937. The principal products packed were asparagus, beans, corn, peas and spinach. These are finding a ready market in the hotel and restaurant trade. Facilities for proper storing are not yet available for the retail trade as a temperature of about zero is required. In all probability, steps will be taken in the near future to offer this product to the general public.

HONEY

The honey crop of Canada was below normal in 1937. Winter loss of bees, winter killing of the major sources of honey and drought conditions during the summer months were the chief factors responsible for the short crop. Low production was also reported from most of Canada's strongest competitors on export markets. The capacity for production is steadily increasing in Canada. Should a year of normal production occur throughout the Dominion and a like situation occur in competing countries, marketing conditions are very apt to become serious.

The amount of honey exported during the crop year ended July 31, 1937, showed a slight increase over the previous crop year. Prices during the first eight months of 1937 were low but owing to short crops in most countries have shown a decided upward trend on both domestic and export markets.

Production.—The average production of honey in Canada for the five-year period 1927-31 was 27.2 million pounds, while for the next five-year period 1932-36 the average was 23.8 million pounds. The crop of 1936 was well above the average of either five-year period and was only 1.4 million pounds less than the record crop of 1931. Final figures for the crop of 1937 are not yet available, but it is known that the crop was considerably below normal. In addition, the average quality of the 1937 crop was much below that of 1936.

The conditions responsible for the crop reduction of 1937 were heavy losses of bees during the winter of 1936-37, winter killing of clovers which are the main sources of nectar, particularly in Ontario and Eastern Canada, and unfavourable weather conditions during the summer months. Continued drought conditions in the Prairie Provinces seriously affected nectar secretion over large areas, especially in Western Manitoba, Saskatchewan and parts of Alberta. Saskatchewan showed the effects of this condition more than did the other provinces, resulting in a crop reduction to approximately 37.5 per cent of the previous year. British Columbia and New Brunswick appear to be the only provinces in which production exceeded that of 1936. Similar conditions appear to be quite common in other honey-producing countries. In the United States production increased from 149.1 million pounds in 1933 to 177.5 million pounds in 1936, but reports from that country indicate that the crop for 1937 was considerably less than normal. It is also reported that the 1936-37 crop in New Zealand was a failure and that honey is being imported to meet domestic demand. A steady increase in production has occurred in Australia since 1931 and the crop for 1936-37 is reported the largest ever produced, being estimated at 16.2 million pounds. Jamaica, also a strong competitor on the United Kingdom market, reports a normal crop for 1936-37, while that of the United Kingdom itself is reported as being less than average. The prospects are that all surplus honey in Canada will be absorbed before the arrival of the 1938 crop.

The average number of colonies estimated in Canada for the three-year period 1933-35 was 341,045. The number was estimated at 370,580 for 1936.

Package bees to the value of \$193,312 were imported into Canada from the Southern States during 1937, as compared with \$175,815 in 1936. This trade has shown a steady increase during the past four years. It cannot however be taken as an indication of an increase in producing colonies because most of the packages imported were for the replacement of colonies that were lost through poor wintering, disease and other causes.

It is impossible to estimate with any degree of accuracy the honey crop for 1938, but with an increase in the number of colonies reported the capacity for production has increased over previous years. It is quite possible however that

winter losses may offset this increase. Furthermore, reports indicate a possible shortage of major nectar secreting plants in 1938 due to the heavy winter killing in 1936-37 and a shortage of clover seed. Weather conditions during the fall months however were favourable to good growth of these plants.

Markets and Prices.—Honey exports from Canada during the year ended July 31, 1937, amounted to 2,669,000 pounds compared with 2,228,000 pounds during 1935-36 and the five-year average, 1929-30 to 1933-34, of 2,225,000 pounds. Of these amounts, exports to the United Kingdom were 2,384,000 pounds in 1936-37, 1,781,000 pounds in 1935-36 and 1,755,000 pounds for the five-year period. From August 1 to October 31, 1937, 668,779 pounds were exported, of which 482,092 pounds went to the United Kingdom. From the above it will be seen that the United Kingdom is by far the most important export market for Canadian honey. Owing to a short crop in Canada and in competing countries, there was a strong demand for honey at a fair price on the United Kingdom market at the close of 1937.

The total imports of honey into the United Kingdom during the calendar year 1935 amounted to 7,171,200 pounds, the lowest for the ten-year period 1926-35. Of this amount 2,058,900 pounds came from foreign countries and 5,112,300 pounds from Empire countries, Canada contributing 1,693,700 pounds. Prior to 1936, Australia was not looked upon as a serious competitor on the United Kingdom market but the huge crop of 1936 forced Australia to look for outside markets and government assistance was given to advertise Australian honey. The amount of honey exported from Australia during the year ended June 30, 1937, was 1,819,855 pounds as compared with 415,867, the five-year average for the years 1931-32 to 1935-36.

Following the large domestic crops of 1934 and 1935, prices of Canadian honey on the United Kingdom market fell to a low of 35s. per 112 pounds, but in November, 1936, there was a decided movement upwards because of the reported shortage of honey in the chief exporting countries. Early in 1937 when it became certain that the 1936 crop was well above average, prices again fell. Since the arrival of the 1937 crop there has been another definite swing upwards with prices averaging 50s. or better per 112 pounds as compared with an average of 42s. for the same period of 1936. On the domestic market there was a decided break in prices in January, 1937, due to large offerings of honey. Most of the 1936 crop however was sold by the time the new crop arrived. Opening prices in the fall of 1937 were much the same as earlier in the year, but due to a low crop the trend has been sharply upward with good prospects for even higher prices later in the season.

MAPLE PRODUCTS

The 1937 maple crop of 16.7 million pounds in terms of sugar was only 56.6 per cent of the average crop harvested in 1936. Adverse weather conditions during the maple season were responsible for the reduction. The flow of sap was extremely poor but the high sugar content reduced the amount of boiling necessary, resulting in generally good quality. The average farm price of maple syrup was \$1.40 per gallon with sugar at 12 cents per pound. The crop in the United States was a little higher than in 1936, but slightly lower than the five-year average, 1930-34.

Because of adverse weather conditions during the sap season, the production of maple products in Canada in 1937 was much below normal. Expressed in pounds of sugar the crop is estimated at 16.7 million pounds as compared with the 1936 crop of 29.5 million pounds. Production of maple syrup fell from 2 million gallons to 1.2 million gallons, while the sugar crop dropped from 9.2 million pounds to 4.4 million pounds. Of the total crop Quebec produced 90.2

per cent of the sugar and 67 per cent of the syrup. Ontario produced 6·6 per cent of the sugar and 32 per cent of the syrup. The remainder was produced in the Maritime Provinces. While the flow of sap was extremely poor, the sugar content was high, only 15 to 20 gallons of sap being required for a gallon of maple syrup as against the usual requirement of 35 to 40 gallons. Thus less boiling was needed and consequently the quality of the product was generally good. The average farm price of maple syrup was \$1.40 per gallon with sugar at 12 cents per pound. Exports of maple products expressed in pounds of sugar for the year ended July 31, 1937, were 5,854,000 pounds as compared with 4,309,000 pounds during the year previous and a five-year average (1932-36) of 4,097,000 pounds. During the six-month period, April 1 to September 30, 1937, there were 2,683,000 pounds of sugar exported as compared with 3,477,208 pounds during the corresponding period of the previous year. The United States crop in 1937 of 21·5 million pounds showed an advance of 6·3 per cent over the 1936 crop of 20·2 million pounds, but a reduction of 3·2 per cent as compared with the five-year average of 1930-34. Rainfall during the fall months of 1937 was adequate and with suitable weather conditions in 1938 will provide the basis for an average crop in Canada of approximately 30 million pounds of sugar.

TOBACCO

The 1937 tobacco crop was the largest ever produced and the quality was exceptionally good. The acreage is estimated at 65,000 acres compared with 55,000 in 1936. Production amounted to 71 million pounds as against 46·1 million pounds in the previous year. The increase was almost entirely confined to the flue-cured type. Production of Burley was again lower. On the other hand, cigar tobacco production in Quebec showed an increase of more than one million pounds. Stocks of flue-cured tobacco on September 30 were low but those of other types were about normal. The flue-cured crop in Ontario has been sold at an estimated average price of about 27 cents per pound or around 2 cents less than that paid for the 1936 crop. The market for other types has not opened. An increasing use of Canadian flue-cured tobacco in the United Kingdom is apparent, although a larger proportion of the heavy purchases from the 1937 crops were for purposes of replenishing depleted stocks. Further expansion in the market will depend upon the degree to which the Canadian product suits the requirements of British cigarette manufacturers. Little change in export demand for Burley is expected but a continued growth in the export of specially prepared dark tobacco to West Africa seems likely.

Production.—The 1937 Canadian tobacco crop was the largest and one of the finest ever produced. The total acreage for all types and all districts was about 65,000 acres, the largest in the history of the industry, and the estimated total production is 71 million pounds. Weather conditions, except for heavy rains affecting certain Burley areas in June, were extremely favourable in all districts. Damage due to disease and insect pests was very slight.

The increase in 1937 was confined mainly to the flue-cured type, being approximately 36 per cent in Ontario alone where the acreage was increased from 36,000 in 1936 to 49,000 acres in 1937, with production estimated at from 53 to 55 million pounds. Burley production in Ontario however has been steadily declining since 1935, and fell from 9·8 million pounds in 1936 to 7 million pounds in 1937, and acreage decreased from 8,000 to 6,142. Production of dark tobacco is estimated at 2 million pounds on an area of 2,000 acres.

In Quebec, cigar tobacco production has increased from 4.8 million to 5.9 million pounds due to increases in both acreage and yield per acre but at least two million pounds will be diverted for raw leaf smoking. Large pipe tobacco, on the other hand, shows a substantial decrease in production although the yield per acre was exceptionally high. Production of this type, grown on 1,400 acres, amounted to about 1.7 million pounds. Small pipe tobacco showed a slight increase, 545,000 pounds being grown on 860 acres. These pipe tobaccos are utilized primarily in raw leaf smoking. The growing of flue-cured tobacco is rapidly becoming more popular in Quebec. The area planted in 1937 was 420 acres with a production of 330,000 pounds. Only 53 acres were grown in 1936.

In British Columbia, the production of 427,000 pounds on 450 acres shows a substantial increase over the 90,000 pounds produced in 1936 on 125 acres.

Domestic Market.—Based on estimated removals for manufacture, stocks of old leaf on hand September 30, 1937, indicate that the number of years' supply of the various more important types of tobacco used in commercial manufacture are approximately as follows: flue-cured, 1.0 year; Burley 2.2 years; dark, 2.5 years, and cigar leaf, 1.7 year. Flue-cured is the only type which showed lower than normal old stocks at that time. Although the 1936 planted acreage of flue-cured tobacco in Canada was sufficient to meet expected requirements for domestic manufacture and the export market, seasonal conditions in Ontario reduced total production to the extent of approximately 10 million pounds. To counterbalance this shortage and replenish depleted stocks, the planted acreage in 1937 was increased nearly 40 per cent over that of 1936. With exceptionally favourable weather conditions, high yields and good quality were general and between seven and eight million pounds more were produced than if an average yield of 940 pounds per acre had been obtained. As a result, leaf stocks, including the 1937 crop, have now been raised to a more adequate level and at present appear to represent at least a two-year supply. This supply provides for some increase in the rate of removal for domestic manufacture and for a moderate increase in exports in 1938. Although some hesitation occurred in the early sale of the flue-cured crop, no serious difficulty was encountered and practically the entire crop was sold before November 20 at an estimated average price of about 27 cents per pound. This price is approximately $2\frac{1}{2}$ cents above the negotiated minimum average price per pound, compared with a negotiated price of 25 cents in 1936 and an average farm sale price of 29.3 cents per pound. Higher than average yields per acre more than compensated for the slight decrease in price as compared with that received in 1936.

Commencing in 1935 the acreage of Burley tobacco has been reduced gradually to make production more commensurate with market requirements. Old leaf stocks have accordingly been reduced to a more satisfactory level. Since stocks of old leaf have been fairly stable over the past two years, but reduced slightly in 1937, and now represent about 2.5 years' supply, present production appears to have been adjusted to meet the requirements of both domestic manufacture and the export market. With the small production of average quality leaf this year no difficulty in marketing the crop should occur. In this connection it may be stated that the 1937 crop was only about one-third of that grown in 1931. The price of the three crops 1931 to 1933 averaged only 8 cents per pound compared with an average of 11.3 cents for the three crops 1934 to 1936.

The use of cigar leaf tobacco in Canadian manufacture has been fairly uniform but rising slightly during the past three years. The export demand for this tobacco is extremely limited. It would therefore follow that growers should adjust production of cigar leaf to satisfy domestic requirements until such time as the export market is substantially expanded.

The prices which will be paid for the 1937 crops of Burley, dark and cigar tobacco should serve as an indication of the demand for these types by the manu-

facturers, and also indicate the need for any moderate increase or decrease in the 1938 acreage of these types. Developments in the export market for flue-cured tobacco should be regarded as the important factor in deciding any change in the production of this type in 1938.

The Export Market.—Exports of Canadian leaf tobacco were somewhat less during the first ten months of 1937 than during the corresponding period of 1936, the respective amounts being 8,185,012 pounds and 9,435,913 pounds. The decline was due almost entirely to the short crop of flue-cured tobacco harvested in 1936, exports of this type falling from 5,996,750 pounds in the ten-month period in 1936 to 3,901,486 pounds in 1937. On the other hand, Burley exports rose from 1,856,168 pounds to 2,560,390 pounds in the periods under review.

The United Kingdom continues to be the principal export outlet for Canadian leaf although the trade with British Colonies, particularly West Africa and the West Indies, is reaching significant proportions. The chief feature of the British market during the past year has been the continued expansion in the use of tobacco. Consumption rose from 149 million pounds in 1933 to 174 millions in 1936, and figures for the first nine months of 1937 indicate that the rate of increase has been maintained. Approximately 85 to 90 per cent of this tobacco consists of the flue-cured type destined chiefly for the manufacture of cigarettes. The importance of the cigarette trade as a potential outlet for Canadian flue-cured is obvious. It is only in the past two or three years however that the quality of the Canadian product has been suitable for cigarette purposes in the United Kingdom. There is evidence now available that much of the buying by Old Country manufacturers from the 1937 flue-cured crop was for the purpose of building up their stocks of the cigarette grades. However, if the rate of expansion in the use of Empire tobaccos as a whole can be taken as an indicator, it is extremely doubtful if any spectacular increase in the use of Canadian flue-cured in the cigarette trade may be expected. A slow steady growth is more likely.

Little change has been observed in the consumption of Burley in the British market in recent years, although probably there has been a moderate increase proportionate to the general growth in tobacco consumption. It is estimated that the annual requirements of Burley amount to about 2 million pounds out of the 54 million pounds of all types used by the pipe tobacco manufacturers. Canada supplies practically the entire amount. During the past two or three years the export of cigar leaf to the United Kingdom has been slowly increasing; however the trade is relatively unimportant.

During the past year there has been another sharp increase in the exports of Canadian dark types to the British Colonies on the west coast of Africa. Exports during the first ten months of 1937 amounted to 711,115 pounds as compared with 453,737 pounds during the same period in 1936. Providing quality is maintained a further growth in this trade may be expected.

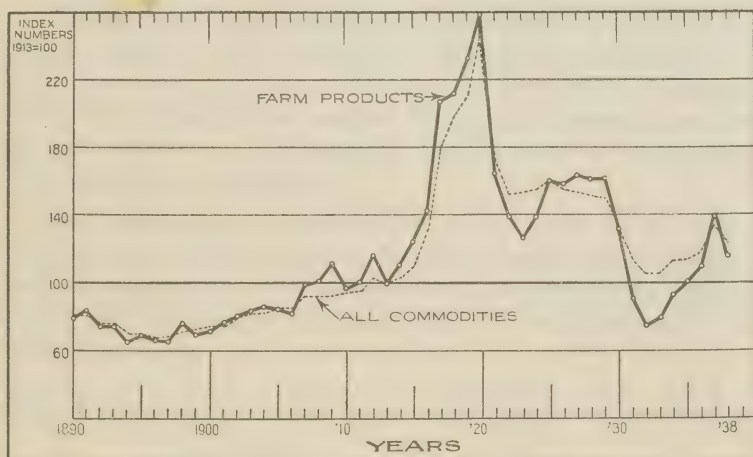
Marketings of Canadian leaf in the British West Indies in the ten-month period ending October, 1937, totalled 132,023 pounds in comparison with 80,653 pounds during the same period a year previously. The increase was entirely in "black-fats" which comprised about 60 per cent of the 1937 exports, the remainder consisting of flue-cured. Under existing conditions no great expansion is looked for.

Foreign Competition.—Canadian flue-cured tobacco on the British market competes primarily with that produced in the United States and Southern Rhodesia. Production in these countries during the past three years has varied from 682 to 811 million pounds and from 21 to 22 million pounds respectively. On the British market, prices received for Canadian tobacco compare favourably with those paid for American leaf and have been consistently higher than those paid for Rhodesian tobacco. To maintain this favourable price relationship and to realize a greater share of the 200 million pounds of flue-cured tobacco imported annually by the United Kingdom, there must be constant improvement in the relative quality of the Canadian leaf.

DOMINION OF CANADA
THE DEPARTMENT OF AGRICULTURE
CO-OPERATING WITH
THE DEPARTMENT OF TRADE AND COMMERCE

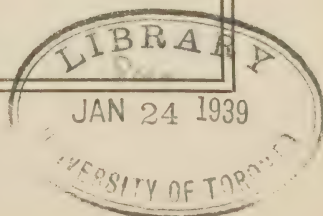
THE AGRICULTURAL SITUATION AND OUTLOOK

1939



WHOLESALE PRICES OF CANADIAN FARM PRODUCTS
AND
WHOLESALE PRICES OF ALL COMMODITIES, BY YEARS
1890 TO DATE

Published by Authority of
The Honourable James G. Gardiner, Minister of Agriculture
and
The Honourable W. D. Euler, Minister of Trade and Commerce
Ottawa
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FOREWORD

THE Agricultural Situation and Outlook has been prepared under the direction of a sub-committee appointed by the National Advisory Committee on Agricultural Services.

It has been made possible through the co-operation of the several Services of the Dominion Department of Agriculture, the Commercial Intelligence Service and the Dominion Bureau of Statistics of the Department of Trade and Commerce, assisted by representatives of Provincial Departments of Agriculture and Colleges of Agriculture.

The purpose of this publication is to provide a brief statement of facts which will assist farmers in adjusting production and marketing plans in accordance with changing conditions of supply and demand for farm products in both domestic and foreign markets.

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SUMMARY

The Domestic Situation

Favourable Features

1. Industrial production, employment and payrolls were relatively favourable at the end of 1938 and it is reasonable to anticipate continuance of these conditions throughout 1939.
2. Canadian exports increased sharply in September and October of 1938.
3. Retail sales showed only a minor recession in 1938 and moderate improvement is anticipated for 1939.
4. Raw material prices, other than agricultural, showed a tendency to increase in the fall months of 1938.
5. Ample supply of short term commercial credit is available and interest rates remain low.

Unfavourable

1. The low level of farm prices is a factor retarding general economic recovery.
2. There has been little inclination on the part of industry to increase borrowings for expansion in anticipation of improving business conditions.

International Trade Conditions

Favourable Features

1. The decline in world prices of primary products which continued through the first half of 1938 appears to have been checked in the latter half of the year.
2. An increase in the number of trade agreements, especially those based on the most-favoured-nation principle has been a forward step in lessening trade restrictions.
3. Larger supplies of wheat and other farm products in Canada will probably result in a greater volume for agricultural exports in 1939.
4. The new trade agreements between the United States and the United Kingdom, and the United States and Canada should lead to an expansion of international trade.

Unfavourable Features

1. The decline in world movement of trade has been accompanied by an accumulation of world stocks of foodstuffs and raw materials.
2. International exchange rates were decidedly unsettled at the close of 1938.
3. Many restrictions on world trade in the form of quotas, exchange controls and clearing agreements were renewed in 1938 after some relaxation in 1937.
4. Lower prices of foodstuffs and raw materials in relation to manufactured goods have made trading between nations more difficult.

Grains

Wheat

1. An all-time record world wheat crop was produced in 1938. The Canadian crop of 348 million bushels was the largest since 1932.

2. Carry-over stocks were moderately higher in August, 1938, and with the surplus over requirements from the 1938 crop, the world wheat carry-over in August, 1939 will again be close to the record levels of 1933 and 1934.
3. With the return of a large surplus, wheat prices have declined to roughly half the level of a year previous.
4. In appraising the world outlook for the 1939-40 season, consideration should be given to the fact that some decrease in the world wheat acreage is expected.
5. Governmental policy in major wheat exporting and importing countries has been an important factor in determining prices received by growers in recent years.

Durum Wheat

1. World supplies of durum wheat in 1938-39 are plentiful for the second consecutive season.
2. The spread between the prices of the bread wheat grades and the durum grades is relatively unchanged.
3. With supplies being exported more readily in the current crop year, it is probable that the carry-over at August 1, 1939, will remain approximately the same as on August 1, 1938.

Flaxseed

1. The 1938 flaxseed crop in Canada was more than double that of 1937, despite a decrease in acreage.
2. Flaxseed prices have not fallen proportionately with other grains, and returns from flax production compare favourably with returns from wheat.
3. No appreciable surpluses of flaxseed are in prospect.

Rye

1. The 1938 rye crop was almost double that of 1937 despite a decrease in acreage.
2. Canadian exports in 1938-39 may exceed those of the previous year when domestic supplies were low.
3. Rye prices fell proportionately with other grain prices during 1938.

Seed Grain

1. The seed grain supply in the Prairie Provinces is regarded as satisfactory for the first time in several years. Supplies of seed of rust-resistant varieties of wheat should be abundant for 1939.
2. The supplies of seed oats and barley are adequate.
3. Supplies of registered and certified grades of seed grain are practically double those of a year previous.

Clover, Alfalfa and Grass Seed

1. Production of clover, alfalfa and grass seed in 1938 was for most kinds larger than in 1937.
2. Prices for the 1938 seed crop are sharply lower than in the previous year.
3. Export demand has declined owing to a larger than usual world supply.

Feed Situation

1. Feed grain supplies per animal unit for 1938-39 are about 38 per cent greater than for the previous crop year.
2. Feed prices have declined in relation to live stock prices and it is expected that the relationship will remain favourable for feeding throughout the 1938-39 crop year.

3. Production of tame hay, fodder and roots was slightly higher in 1938 compared with 1937.
4. No extensive movement of feed supplies from surplus to deficit areas will be required.

Live Stock

Beef Cattle

1. Cattle marketings to mid November, 1938 were materially below those of 1936 and 1937. Further declines in marketings are expected during 1939 and 1940.
2. While marketings of grain-fed cattle from the Prairie Provinces will be heavier in the early part of 1939, the increase will be offset, in part at least, by a reduction in marketings from Eastern Canada.
3. Some improvement in prices during 1939 may be expected due to prospective improvement in industrial conditions and reduced marketings.

Hogs

1. The output of hogs in 1939 will show an appreciable increase over that of 1938, especially in the latter part of the year.
2. While hog prices will be influenced by the increased supplies, improved domestic and export demand may be an offsetting factor.
3. There is some indication that exports of pig products to the United Kingdom market in 1939 may exceed those of 1938 by a considerable volume.

Horses

1. There was a further decline in numbers of horses on farms at June 1, 1938, chiefly in Saskatchewan.
2. Larger foal crops in recent years may bring about a reversal in the downward trend in numbers of horses.
3. Prices of horses after rising sharply from 1933 to 1937 declined in the spring of 1938, but not to the same extent as prices of other farm products.

Sheep and Wool

1. Sheep numbers in Canada showed a slight increase in 1938.
2. Inspected slaughterings during 1938 were somewhat smaller than in 1937. The decline was due in part to an increase in holdings of breeding stock, particularly in the ranch areas.
3. The movement of feeder lambs to the eastern feedlots was reduced in the fall of 1938. The reduced supply in the spring of 1938 should tend to maintain firm prices.
4. Wool prices in 1938 showed little change although there was a steep decline in the fall of 1937.

Eggs and Poultry

1. Egg prices were slightly higher in 1938 than in 1937. The decline in feed prices has resulted in a distinct improvement in the position of egg producers.
2. The favourable egg-feed ratio is expected to result in increased hatchings in the spring of 1939. This would mean larger supplies of eggs and poultry later in 1939.
3. Provided that the United Kingdom poultry market remains unchanged, poultry prices in 1939 should be about the same as in 1938.

Dairy Products

1. There will be fewer cows available for milking in 1939, but with the possibility of a greater percentage of the cows being milked and greater production per cow, production in 1939 should be at least equal to that of 1938.
2. Lower butter prices in the winter and spring months of 1939 as compared with the same period of 1938 may tend to divert milk from creameries to cheese factories.
3. Storage stocks of butter were particularly heavy late in 1938. For the first time on record, stocks exceeded 60 million pounds.
4. Cheese production declined approximately 7 per cent in 1938 as compared with 1937. Production in the Prairie Provinces, while still small, has been steadily increasing.
5. Cheese prices average slightly higher in 1938 as compared with 1937. Should cheese prices remain firm relative to butter prices an increase in cheese production may be expected in 1939.
6. There was an increase of 23 per cent in the production of concentrated milk products during the first nine months of 1938. Stocks at the close of 1938 were higher. This will probably result in lower prices or a check in the expansion of the industry.

Fruit

Apples

1. The upward trend in apple production, continued in 1938, the crop being 15·3 per cent above the five-year, 1932-36, average. Heavy plantings of apple trees have taken place in all years since 1934.
2. Exports of apples in the fall months of 1938 were sharply higher than in the same period of 1937. Exports in 1937 were slightly below the five year average.
3. The general trend of prices of apples to producers was downward from 1926 to 1932. Since that date, however, there has been some improvement in prices.

Peaches

1. Heavy plantings in recent years have increased the number of bearing peach trees and production has been increasing since 1936.
2. Prices for peaches fluctuate largely as a result of changes in supply. The larger 1938 crop sold at prices below those of 1937.

Other Fruits

1. Pear production was sharply higher in 1938, reflecting increased plantings in recent years. Prices to producers were lower.
2. The 1938 plum and prune crop was 4·1 per cent above that of the previous year.
3. Production of grapes was lower in 1938, especially in Ontario. Prices to producers were higher.
4. Cherry production was higher in 1938 but only 85 per cent of the five-year, 1932-36, average. Prices received by growers were lower than in 1937.
5. The 1938 strawberry crop was 4·1 per cent below 1937 but 1·5 per cent above the 1932-36 average.

Potatoes

1. The 1938 potato crop of 59·6 million bushels was the lowest since 1910.
2. Prices opened higher in the fall of 1938 and have continued to rise throughout the early winter.

3. Higher returns for the 1938 crop will probably result in an increased acreage in 1939.
4. Exports of potatoes are expected to be lower for 1938-39 because of short supplies.

Honey

1. The Canadian honey crop of 1938 was substantially higher than that of 1937. Production in other countries was also higher.
2. Domestic and export prices have been depressed by the large supplies.
3. The number of colonies in Canada in 1938 was the highest in the past 5 years.

Maple Products

1. Production in Northern Ontario, Quebec and the Maritimes was almost double that of 1937.
2. Prices were lower than in the previous year, but the total returns were the highest in recent years.
3. Exports during 1938-39 are the highest in ten years and little carry-over is expected.

Tobacco

1. The marked upward trend in tobacco production continued in 1938. The crop of 96 million pounds was the largest ever produced in Canada and was 24 million pounds above that of 1937.
2. Stocks of flue-cured tobacco increased during the year. Stocks of burley were reduced and those of other types remained about the same.
3. The negotiated minimum price for the 1938 flue-cured crop was set at 22.5 cents per pound, 2 cents below the 1937 negotiated minimum.
4. Exports of flue-cured to the United Kingdom were much higher in 1938, and stocks of Canadian tobacco in the United Kingdom are now at a high level.

THE DOMESTIC SITUATION

Industrial production, employment and payrolls were relatively favourable at the end of 1938 and it is reasonable to anticipate continuance of these conditions throughout 1939. Current rates of progress, however, would have to be accelerated materially in order to produce a return to 1937 peak levels within the coming year. Consumer purchases as reflected in retail sales recorded only a minor recession in 1938 and may be expected to register moderate improvement in 1939. Prices of non-agricultural raw materials used in industry showed increases in the fall of 1938. Although the low level of prices of farm products is a factor retarding general economic recovery, some improvement may be expected in 1939 as a result of anticipated increases in demand.

Business activity in Canada is closely associated with conditions abroad and will be affected by any change in the foreign situation. The gradual revival of industrial production in Canada during the latter half of 1938 coincided with similar movements in the United States and the United Kingdom. In this connection, it appears significant that Canadian exports in September and October, 1938, increased sharply and compared much more closely with the 1937 figures than did those in the preceding months. A considerable surplus of notice deposits over current loans provided evidence of ample supplies of short-term commercial credit. However, improvement in the business outlook has not yet been sufficient to cause any appreciable increase in the volume of industrial loans. Production of most agricultural products showed a substantial increase in 1938. Prices of farm products declined much more rapidly than did those of other commodities and the continued low level of farm product prices is an unfavourable factor in the domestic situation.

Industrial Production.—A hesitant advance in the volume of industrial production during the summer of 1938 was followed by a definite upturn in September. This was a reversal of the previous sharp decline of 17 per cent which occurred in the final quarter of 1937 and the opening months of 1938. Fairly broad improvement was shown by September manufacturing returns, although October figures indicated a minor contraction. Textile manufacturing suffered a more severe contraction than manufacturing generally during the first three-quarters of 1938, and the industry is still operating on a part-time basis. Pig iron production showed less severe contraction and a moderate upturn in September, which was not paralleled by steel. The automobile industry anticipates a considerably better year in 1939 than was experienced in 1938 due in part to distinctive model changes and lower prices and reduction in inventory of second-hand cars. Comparatively low inventories in the hands of merchandise wholesalers, an abundance of available credit, the lower level of industrial-material prices in relation to prices of manufactured goods and a well maintained volume of employment, favour the extension of this view to industry generally. Prices, however, have not yet followed the uptrend in industrial activity. Some decline from fall levels of industrial activity may occur during the winter months, to be followed by an increase again in the spring of 1939.

The record volume of Canadian mineral production during 1938 offset to a considerable degree declines in the manufacturing field. The output of copper and lead established new records, adding greatly to the activity in the several mining districts concerned. Although prices declined during the early part of

1938, increasing requirements for defence purposes and for the automobile industry in the second half resulted in the strengthening of prices. The gold mining industry expanded rapidly, breaking all previous records in both volume and value, but the coal mining industry, in which large numbers are employed, was less active than in 1937.

Forest products showed a sharp decrease in production because of curtailed exports of lumber and newsprint, as well as less activity in the furniture and construction industries. Construction contracts awarded during the first ten months of 1938 were nearly 20 per cent lower than for the same period of 1937. The volume of residential building shrank only slightly, however, and it should be stimulated by the recent decline in building-material prices. Since the new National Housing Act went into force in August, loans on new houses showed an increase of more than 70 per cent over those in the same period in 1937 and loans under the Home Improvement Plan were only slightly lower during the first ten months of 1938 compared with the same period in 1937. Recently these loans have been running above those in the corresponding months of 1937.

In view of expected increases in industry in 1939, the demand for farm products should be somewhat greater than in 1938. It is unlikely however that the increase in general activity during 1939 will be sufficient to restore business to the 1937 levels.

Domestic Consumption.—Consumer purchases seldom show the wide fluctuations which are apparent in figures of industrial production in times of successive prosperity and depression. This was borne out during the first nine months of 1938 when dollar volume of retail sales generally recorded an average decline of only 2 per cent from 1937 levels. This decline would have been somewhat greater except for the higher prices which prevailed for groceries and meats. September figures of retail sales reflected improvement in industry, and pointed to a moderate increase over sales in August, which were in excess of the usual seasonal rise at that time of year. Furniture, hardware, music and radio firms, however, failed to register increased sales during this period. Sales at country general stores in September were more than 3 per cent greater than in August, but this was less than the improvement for the same months of 1937, which amounted to more than 6 per cent. The greatest increases in country stores sales occurred in Saskatchewan and Alberta, the only provinces reporting business at higher levels than in September, 1937. This was more an indication of the low levels of 1937 business in these provinces than of the existence of satisfactory conditions in 1938.

Perhaps the most striking evidence of potential improvement in retail sales was offered by the record for motor cars. During the mid-summer months of 1938, sales totals ran more than 30 per cent below corresponding figures for 1937. In September, however, the deficit was reduced to 2 per cent, and widespread interest in new models points to sales expansion in months to come. For the first three-quarters of 1938, passenger automobile sales were almost equal to those in the corresponding period of 1936. Sales of trucks and buses were considerably above 1936 levels, but 14 per cent short of 1937 figures.

The moderate uptrend in industrial production is favourable to a slight improvement in employment levels, although the comparatively small recession in employment when industrial activity was curtailed early in 1938, would point to correspondingly minor advances in future months. However, stability of employment and wage rates should result in a well maintained volume of consumer purchases in 1939.

Financial Factors.—Ample funds are available for a material expansion in industrial activity, but to date there has been little inclination on the part of industry to increase borrowings in anticipation of improving business prospects and speculative interest has been revived only moderately as indicated

by the October advance in stock prices. A considerable surplus of notice deposits over current loans, and record prices for high-grade government bonds offer ample evidence of plentiful funds in both short and long-term money markets. There has been some increase in current loans by chartered banks during the past thirty months, but the total remains comparatively low. Undoubtedly this is due in part to industry financing a growing proportion of its needs from reserves, but it also suggests a reticence particularly on the part of smaller concerns, to borrow extensively in view of current prospects for future business returns. Industrial bond prices, unlike high-grade Dominion issues, were lower in 1938 than in 1937, and this coincided with a smaller volume of new corporation issues in 1938. Conflicting trends were also evident in the common stock market. November prices were materially higher than the year's low levels established in March. It is true also that losses suffered during the international crisis in September were quickly recovered, but from mid-October to the end of November, markets remained practically stationary.

Price Movements.—The most serious deterrent to further general recovery is undoubtedly the current level of farm-product prices, which declined much more drastically during the first ten months of 1938 than did the general price level. October averages for grains were more than 50 per cent below those of the preceding October. Live stock prices in October averaged approximately 18 per cent lower, although averages for the first ten months were down only 11 per cent from the same period of 1937. The decrease was mainly in cattle prices, hog prices averaging slightly higher than in 1937. Prices of butter, tobacco and wool also showed substantial recessions on the basis of October comparisons, although 1938 ten-month averages for butter and cheese were both above the comparable 1937 figures. Of the more important farm products, only for eggs and potatoes did October prices average higher in 1938 than in the previous year. A much greater production of grains in 1938 partially compensates for the depressed prices. Meanwhile prices paid by consumers for basic family living needs were practically the same in October 1938 as in October 1937. The consumers' position has been eased by moderate declines in retail food prices which in September commenced to react to lower wholesale prices.

Price movements have also adversely affected Canada's foreign trade position during the past year, the decline of over 20 per cent in export prices being more than double the drop recorded for prices of imports.

On the other hand, prices of non-agricultural raw materials showed decided strength in September and October. The severe recession in prices of agricultural products appear to have ended, although grain markets are still dominated by large world wheat stocks. A decline of 10 per cent in building-material prices from the 1937 levels will tend to reduce building costs. The most pronounced recessions occurred in the prices of lumber and paint materials. From the long-range viewpoint, it should not be forgotten that monetary reserves in the United States continues to increase, and are sufficient to support a marked rise in price levels. This is of peculiar significance to Canada, since Canadian price levels have followed those in the United States very closely throughout the past sixty years.

The Agricultural Situation

After five years of a low volume of output of food and feed crops, of which the two years 1936 and 1937 were abnormally low, with output falling to 66 per cent of the 1926-30 average, a fair measure of recovery was recorded in 1938. The physical volume of production of food and feed crops for the 1938 season reached 90 per cent of the 1926-30 average, an increase of 37 per cent over the low level of 1937. This recovery in production, however, has not been fully realized in higher cash income. Increases in supplies, and reduced

demand have combined to cause a very steep decline in farm product prices. In 1938 this decline has carried farm prices below the pre-war relationship with the general price level and has seriously interrupted the strong agricultural recovery which commenced during 1936.

The principal declines have taken place in prices of farm crops. While prices of live stock and animal products have also declined, they have not suffered to the same extent. As a result, those farmers converting feed into meat animals and animal products will be in a more favourable position than those who are selling cash grains.

In general, from the standpoint of income, the regional agricultural situation of 1938 is relatively the same as in 1937. On the basis of estimates of cash income for the calendar years 1937 and 1938, farmers in the Maritime Provinces have received greater cash returns from the sales of potatoes and apples, and live stock, but have not had as large incomes from hay and grain crops. Agriculture in the central provinces has benefited from larger income from potatoes, tobacco and live stock, but reduced income from other crops. Cash income in the Prairies remained low owing to reduced prices for grains, and to a lower volume of live stock sales. In many local areas the farmer's cash position was little changed from 1937. While there were more ample supplies of feed, the liquidation of live stock as a result of the 1937 drought did not enable the producer to take full advantage of the feed situation. Agriculture on the Pacific coast suffered from lack of rainfall during the 1938 season, and small crops were harvested. This will mean larger cash outlays for feeds to supplement the home-grown supplies. Income in the fruit farming areas for 1938 was lower than in 1937.

On a commodity basis, the following summarizes the outlook for income from the sales of the more important farm commodities. With more hogs to market in 1939 as a whole, and prospects of a steady demand at home and in export markets, the income from hog products in 1939 should not be any less than that obtained in 1938, even though the average price paid for hogs during 1939 may be somewhat lower. Income from beef cattle should be approximately the same in 1939 as in 1938 as reduced marketings are expected to be offset by higher prices. Returns from sheep and wool in 1939 are not likely to be very different from that obtained in 1938. It is likely that the gross cash income from all dairy products will not be any higher in 1939, and because of current prospects for lower butterfat prices, it is possible that it might be slightly lower during the early part of 1939.

The probability of a favourable export market for eggs and poultry and the outlook for some improvement in business conditions in Canada in 1939 are factors which, in spite of prospects for increased supplies, favour as large a gross income from poultry and eggs in 1939 as was obtained in 1938.

The gross income from the sale of the 1938 spring wheat crop will possibly be somewhat larger than that obtained from the small crop of 1937. The reduced prices for fall wheat, oats and barley will mean a smaller total income from these grains in spite of somewhat larger crops. Cash income from the 1938 crop of Durum wheat will be less as a result of a smaller production and of lower prices.

Relatively large apple crops, particularly in Nova Scotia and Ontario, quality above average in most regions, favourable export and domestic demand and reasonably good prices, should result in a larger total income from the 1938 apple crop than was obtained from the crop produced in 1937. A substantial increase in potato prices, as compared with those at which the 1937 crop was sold, should result in a larger total income for potato growers, in spite of the relatively small crop produced in 1938. The increased production of tobacco, red and alsike clover, and honey in 1938, should result in larger total returns from these commodities, in spite of lower prices than were obtained from the crops produced in 1937.

Farm Real Estate.—Average land values in Canada for 1937 were unchanged from 1936 and remain at the levels established in the early depression years. Since land values are a reflection of farm earnings, they serve as a measure of the recovery of agriculture in various regions. Average land values in the Maritime Provinces and the central Provinces have shown an increase since 1932. Land values have recovered slightly in Manitoba and have remained stationary in Alberta, since 1932. In Saskatchewan and British Columbia land values have continued to decline.

Prices of land have been increasing in those areas favoured by good crops, which have sold at remunerative prices. There are, however, many areas in which land values have shown very little tendency to recover. In the event of a rise in the general price level, carrying farm product prices upward, a rise in land values can be expected, providing that prices of goods used by farmers in production do not increase as rapidly.

Farm Machinery and Equipment.—A reduction in the prices of farm implements for 1939 has already been announced. The reductions announced will be of some benefit in enabling farmers to purchase much-needed equipment. While there may be further slight reductions in certain lines of imported implements as a result of the removal of the 3 per cent excise tax, no further marked declines are anticipated.

Further improvements on implements now being used and developments of new types of machines have been frequent during the past two or three years. These will likely result in increased sales and also some considerable changes in farm organization in the next few years, especially in Ontario and Quebec.

Farm Labour.—Farm wages, recovering from the low point in 1933, increased steadily up until 1937. Reduced farm income in 1938 and a decline in urban employment resulted in a small reduction in farm wages, although the volume of employment was increased by the necessity of harvesting larger crops.

The supply of farm labour during 1939 may not be as large as in 1938 because of an anticipated increase in industrial production. An upward tendency in farm wages might, therefore, be expected. This will be most marked in the central Provinces where the demands from industry and agriculture compete more directly in the labour market. Farm wages in the Prairie Provinces have not increased very much since the low depression years. As a result of depressed conditions, there is a large supply of labour available in rural areas in Western Canada.

INTERNATIONAL TRADE

The volume of world trade made significant gains during 1937, but a reversal in the recovery movement in major nations since that time reduced the volume of trade sharply in 1938. The decline in world movement of trade has been accompanied by an accumulation of world stocks of foodstuffs and raw materials. Restrictions on world trade in the form of quotas, exchange controls and clearing agreements were relaxed somewhat in 1937, but were renewed in many cases during 1938. World prices of primary products reflected the recession of business activity and suffered a severe decline in the first half of 1938. This decline appears to have been checked in recent months. International exchange rates were subjected to considerable strain throughout 1938 and were still decidedly unsettled at the end of the year. An increase in the number of trade agreements, especially those based on the most-favoured-nation principle has been a forward step in the lessening of trade restrictions. In the new Canada-United States Trade Agreement, valuable concessions have been obtained for a wide range of Canadian primary products exported to the United States. Larger supplies of wheat and other farm products in Canada will probably result in a greater volume of agricultural exports in 1939 as compared with 1938.

International trade of the present day is largely on a different basis from that of pre-war, or even pre-depression, days. Trading between nations was formerly based chiefly on comparative advantage in production. It was automatically regulated by the movement of capital and the flow of gold between nations, and by the changes in price levels. In recent years these methods of self-adjustment have given way in large degree to various methods of state control of trade—evidenced in the use of quotas, exchange regulations, clearing agreements and other measures. In many cases, the direction in which trade now flows, or is made to flow, is governed more by political and financial considerations than by price competition or other commercial factors. Further, the industrial development of the new world and the shift of the United States from debtor to creditor status, coupled with the sharp decline in international lending, have had far-reaching effects upon trading conditions. Again, changing national programs in European countries have led to a severe reduction in the demand from these countries for foodstuffs from overseas sources. For example, world net exports of wheat from net exporting countries, which averaged 818 million bushels for the five years 1926-27 to 1930-31, have fallen to an average of 555 million bushels for the five years 1933-34 to 1937-38. This and other changes in agricultural commerce are of vital concern to countries that are still essentially producers of primary products for export.

While the long-time outlook for international trade depends on many more elements that can be taken into account here, the year-to-year developments will, in the absence of serious political disturbance, continue to be subject mainly to such factors as trade policies, production, prices and exchange, which are discussed in the following paragraphs.

Trade Policies.—The widespread decline in wholesale prices, coupled with the shrinkage in the volume of commerce over the past year, has caused some countries to renew their restrictions upon international trade. Many countries had reduced duties and quota restrictions during the period of rapid recovery prior to the mid-summer of 1937. The progress of recovery during this period also brought with it some reduction in the stringency of exchange controls and

clearing agreements. In at least ten countries, duties on grain and other food-stuffs were reduced or suspended in 1937. This action was largely due to crop shortages. Bountiful harvests in 1938, and the recent world-wide decline in business activity and trade caused some countries to revert to former levels of protection, but up to the autumn of 1938 a number of the reductions were still in effect.

Reductions in duties have been made under trade agreements as well as by the independent action of individual countries. In the past year or two, there has been an increase in the number of agreements based on the most-favoured-nation principle. During recent years, the United States has negotiated 20 such agreements. The Trade Agreements recently concluded between Canada and the United States and the United Kingdom and the United States are of great significance for Canada. Valuable concessions have been obtained for a wide range of Canadian primary products exported to the United States. Canadian trade will not only benefit directly from these concessions, but Canada as a leading exporting nation stands to gain indirectly to a large degree from the impetus to world trade which will result from the reductions in duties provided for in the two Trade Agreements. By virtue of the operation of the most-favoured-nation principle, the reductions are extended to a great many other countries besides those directly participating in the Agreements. While the preferences on a number of Canadian products imported into the United Kingdom and British Colonies have been reduced by the United Kingdom-United States Trade Agreement, the general principle of tariff preference for Empire products is still retained on the great range of products shipped to the United Kingdom and other Empire markets.

While the movement for lowering duties by means of most-favoured-nation agreements is going forward, a number of countries—chief among which are Germany and Italy, and latterly Japan—maintain rigid control over external trade. Foreign exchange control is still widely in effect, and in many cases goods can not be imported from a given country unless a credit balance is available from the proceeds of exports to that particular country. This method of trading tends to force commerce into new and strange channels rather than to allow it to follow the course determined by ordinary business competition. As regards trade in agricultural products, the immediate outlook—having in view the present low level of prices and the increased supplies, especially of wheat—lends but limited encouragement to the prospect for early reduction of such trade barriers.

Trade, Production and Stocks.—The volume of world production reached record levels in the year 1937. Compared with 1939, total primary production was 10 per cent higher, the output of foodstuffs 6 per cent and the production of raw materials 19 per cent higher. World industrial activity during 1937 also surpassed that of 1929. The physical volume of world trade made significant gains in 1937 and reached the 1929 level in the last quarter of the year.

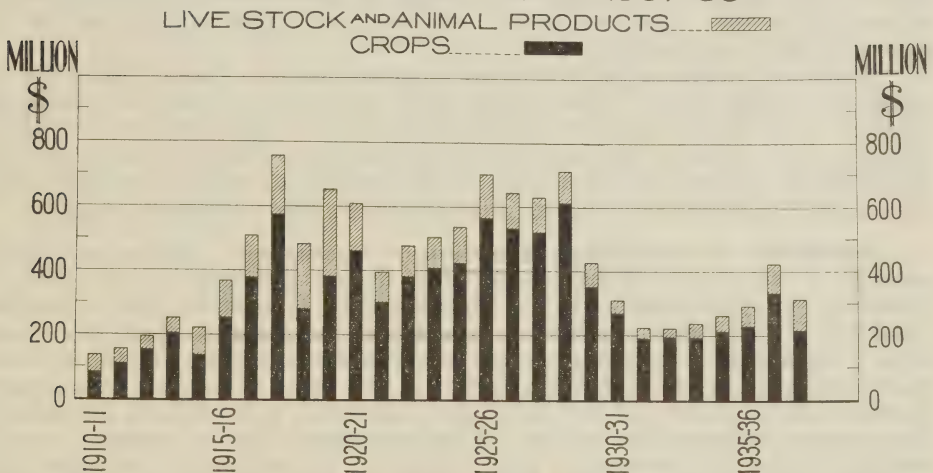
A break in the prices of raw materials, and a sharp fall in security prices occurred in the United States in April, 1937. This was followed by a serious decline in business activity in that country which caused a severe contraction in American imports—especially imports of raw materials. Meanwhile American exports remained at high levels. These developments depressed commodity prices in world markets, and adversely affected countries which exported to the United States. Decline in business activity spread to many other countries. While primary production continued at a high rate in most countries and prices of raw materials declined immediately, industrial production was curtailed and prices of finished goods remained comparatively high. The buying power of primary producing countries was thus reduced, making it more difficult to pay for imports from industrial countries. By the second quarter of 1938, the physical volume of world trade had fallen to 86 per cent of the 1929 level and

marked accumulation in stocks of foodstuffs, particularly raw materials, had taken place.

Prospects for 1939 indicate some improvement over 1938. The upturn in business activity in the United States, which commenced in the third quarter of 1938, is the most encouraging element in the outlook for international trade. Insofar as Canada is concerned, the immediate future is clouded by the fact that world stocks of wheat and cotton have risen considerably above the low point of 1937 and are again threatening to get out of hand.

Prices and Exchange.—The high point in the recovery of prices of primary commodities, reached in the spring of 1937, was followed by a severe decline which continued well into 1938. Most recent indications are that the decline has been checked, but prices are still well below those of a year ago. The indexes of wholesale prices in most of the major trading nations of the world have shown a downward movement during the past twelve months. Exceptions to this trend are found in France, where further currency devaluation kept internal prices rising and in Germany, where the decline has been very slight. The Board of Trade index for the United Kingdom fell from 111.4 in August, 1937, to 99.5 in August, 1938. The United States Bureau of Labor statistics index declined from 87.5 in August, 1937, to 78.1 in August, 1938, and the Canadian wholesale index from 84.6 in August, 1937 to 74.2 in September, 1938.

EXPORTS OF PRODUCTS OF CANADIAN FARM ORIGIN FISCAL YEARS 1910-11 TO 1937-38



International exchange rates have been subject during the past year to considerable strain and nervousness, arising from a wide variety of commercial, financial and political factors. The relation of the pound to the dollar for the twelve months ended June, 1938, was comparatively stable, the pound holding strong at \$4.95 or higher despite the adverse trade balance of the United Kingdom. Since that time, however, sterling has been subjected to additional pressure, partly as a result of the fear of European war, and the pound in New York declined from an average of \$4.958 in June to \$4.815 in September, 1938. The pound in October was quoted at from \$4.80 to \$4.85 at Montreal and a further decline occurred in November. This has meant lower returns for Canadian exports to the United Kingdom than the former range of \$4.90 to \$5. A notable occurrence in the field of exchange during the past year has been the marked fall in the exchange value of the franc. The Canadian dollar has

maintained a level close to par in relation to the United States dollar, the fluctuations being within such narrow limits as to have little effect on trade between the two countries. As regards the "free" rate, the Argentine peso was depreciated further early in the year. This was followed by devaluation in November when the official selling rate was changed from 16 pesos to 17 pesos to the pound sterling. The Australian pound has reacted in sympathy with the pound sterling in recent months and declined at Montreal from about \$4 in June, 1938 to about \$3.85 early in October. Taking the exchange situation as a whole, the present outlook is decidedly unsettled.

Exports of Farm Products and Foreign Demand.—The value of Canada's export trade in products of farm origin increased considerably from the depression low point in 1932-33 to the year 1936-37, when the level of 1929-30 was reached. The value of exports for the year ended March 31, 1938, however, fell considerably below that of the previous year. The decline continued during the period of April to September, 1938. Short crops and depleted wheat stocks were largely responsible for the early decline, but later a decrease in cattle, hog and pork exports occurred. More favourable crop conditions in 1938 and a prospective increase in live stock output in the latter part of 1939 indicate that supplies available for export from Canada will exceed those of 1938.

The export demand for Canadian farm products depends on many factors. Industrial activity, general level of prices, production and stocks of commodities, as well as political conditions in a number of countries all have a bearing on the quantity and price of goods shipped from this country. Perhaps the major economic factor clouding the outlook is the fact that the 1938 world wheat crop is the largest on record, with the result that supplies are far in excess of world requirements.

Economic conditions in the United Kingdom and the United States are of prime importance in their direct effect upon the export demand for Canadian agricultural products. Moreover, their influence upon the course of world trade at large is so pervasive and so powerful that, by their indirect as well as their direct effects, they are of basic concern in any attempt to reach a sound appraisal of Canada's position and prospects with respect to export markets generally.

Conditions in the United Kingdom.—A pronounced decline in business activity in the United Kingdom occurred during the first half of 1938 in sympathy with the recession in the United States. The contraction in demand from the United States for British imports had an adverse effect upon some export industries. The overseas trade of the United Kingdom for the first ten months of 1938 discloses that the decline in the value of imports was slightly greater than the decline in the value of exports, with a consequent decrease in the excess of imports over exports. This improvement in the situation became evident in the third quarter of 1938. Much of the contraction of imports in 1938 was due to lower prices rather than to shrinkage in volume. This was particularly true in the case of foodstuffs. Exports have declined in both volume and value.

The sharpest decline in industrial production in the United Kingdom was recorded in the June quarter of 1938, although a moderate drop also appeared in the first quarter. The declines in the iron and mining groups of industries were particularly marked in the second quarter. The numbers of insured workers in employment were much more stable than the volume of industrial production, however, and retail sales up to August were actually higher than in the same period in 1937. The relative firmness of these factors, and evidence that the pronounced recession in the first half of the year has been arrested, indicate resistance to a continued decline in business activity.

In considering the future trend of business activity in the United Kingdom, it should be observed that recovery in that country commenced in the early part

of 1933 and continued for five years. As measured by the Board of Trade index of industrial production, the average annual rate of growth during this period of recovery was about 8·5 per cent. It would seem unlikely that much greater industrial activity will be experienced in the near future than at the peak of the recovery movement. The growth in the balance of merchandise imports probably is accompanied by a lower national income from external investments and from shipping and other services. However, there appear to be limits to the growth of imports, even with continued re-armament demand, unless a substantial expansion of exports should develop. The possibility of such a development depends to an important degree, of course, upon international political factors. A restoration of international security would definitely improve the outlook for world trade. In any case if the present business revival in the United States is sustained, it will do much to turn the course of international trade upwards again.

Conditions in the United States.—The importance of the effects of the business recession in the United States on international trade have already been indicated. The decline in industrial production that took place in the last quarter of 1937 was arrested during the first half of 1938. Signs of increasing production appeared in July and continued throughout the balance of the year. The rapidity of the decline and the protracted period of reduced output had widespread effects throughout the United States. This sudden change in business conditions and outlook was reflected in other countries and a sequence of adverse effects was set in motion by the declines in commodity prices and in imports into the United States. Exports from the United States continued to be heavy in 1938, although at somewhat lower levels than in the latter part of 1937. Imports were greatly reduced, the value of imports being in some months only half the value in the same month of the previous year. The resulting change in the balance of trade in the United States is striking, especially when the first nine months of 1938 are compared with the same period in 1937. Whereas in these months of 1937, there was a substantial excess of imports, in the first nine months of 1938 the excess exports from the United States was over \$800 million. There may be some significance, however, in the fact that shortly after industrial production increased, imports also increased.

In considering whether the upturn in business, first evident during the summer, is the beginning of a sustained recovery, it is necessary to examine some of the basic causes of the recession, which was so rapid and decisive in its action. The recovery that took place up to 1937 had many unusual features. The factors that stimulated business activity during that period appear to have been associated largely with the expansion of consumer purchasing power. It is doubtful whether any prolonged recovery is possible without the sustained demand for construction and for capital goods provided by private investment. There is some encouragement in the increased activity evident in the financial markets of the United States during the summer and fall of 1938. Other indications of improved business sentiment and relations have also appeared. With an improvement in the European situation, further support from private investment in the United States may occur. Increased cash reserves in the banking system and low interest rates provide the financial facilities for a revival of this kind, and increased public expenditures are providing a stimulating force by augmenting consumers' income. Furthermore, with the prolonged period of reduced production, surplus stocks have been lowered.

GRAINS

Wheat

An all-time record world wheat crop was produced in 1938, with good yields harvested from an acreage which remained at a peak level. Carry-over stocks were moderately higher at August 1, 1938, and with the surplus above requirements from the 1938 crop, the world wheat carry-over at August 1, 1939, will again be close to the record levels of 1933 and 1934. With the return of a large surplus, wheat prices on the open markets have declined to roughly half the level prevailing a year earlier. International trade in wheat is likely to show a moderate increase in 1938-39 over that of the previous crop year. A reduction in world wheat acreage is expected in 1939, which with normal yields would bring production more into line with consumption requirements. World carry-over stocks at August 1, 1939, are likely to be more than ample to offset any deficiencies through partial crop failures. Governmental policy in major wheat exporting and importing countries has been an important factor in determining prices received by growers in recent years. The Canadian crop of 348 million bushels in 1938 was the largest since 1932. Acreage was slightly higher than in the previous year. The Canadian carry-over at August 1, 1938, was the lowest in the past 15 years, but it is expected that this figure will be materially increased at the end of the current crop year. Prices to growers were sharply reduced during 1938. Fall moisture conditions are satisfactory in Alberta and Northern Saskatchewan, although deficient in Southern Saskatchewan and Manitoba.

World Situation

Supplies.—World wheat production in 1938, excluding Russia and China, reached an all-time record volume of 4,443 million bushels, representing an increase of 605 million bushels over that of 1937, and an increase of 692 million bushels over the average world production in the ten-year period 1928-37 of 3,751 million bushels. The world wheat area of 286 million acres remained approximately the same as in 1937, continuing at a record level. The world average wheat yield per acre, on the other hand, rose significantly from 13.5 bushels in 1937 to 15.5 bushels in 1938, the highest yet attained.

Most of the wheat producing countries experienced increased production in 1938. Among the major exporting countries, Canada, the United States, Argentina and the Danubian countries, except Bulgaria, had larger crops. Australia suffered serious drought which lowered the yield of the 1938 crop. European wheat production in 1938, excluding the Danubian countries and Russia, amounted to 1,351 million bushels, which was an increase of 150 million bushels over the production of 1937. The United Kingdom, France and Germany had larger crops than in the previous year, and France now has a considerable surplus above requirements. North African crops as a whole were slightly smaller than in 1937, while the Asiatic countries, chiefly Turkey and India, harvested larger crops in 1938.

World stocks of old-crop wheat at August 1, 1938, amounted to 602 million bushels, registering an increase of 75 million bushels over the very low world carry-over of wheat amounting to 527 million bushels at August 1, 1937. The increase in world stocks, added to the increase in world production in 1938, makes total world supplies for the 1938-39 season 680 million bushels greater than in 1937-38.

It is apparent that after two crop years in which export supplies and import requirements were in reasonably close alignment, a world wheat surplus is again in prospect. World wheat carry-over stocks at August 1, 1939, are likely to be in the neighbourhood of 1,100 million bushels, recording an increase of 500 million bushels during the current crop year. This will be a rapid transition from the low world carry-over at August 1, 1937, to a level at August 1, 1939, which will be close to the record peak of 1,199 million bushels established in 1934. Of the 1,100 million bushel world carry-over in prospect, 600 million bushels must be regarded as necessary reserves to supply consumption requirements before the new harvests are available. The additional 500 million bushels will represent excess carry-over supplies.

In appraising the world outlook for the 1939-40 season, consideration should be given to the fact that some decrease in the world wheat acreage is expected. The United States winter wheat area has been reduced by 10.2 million acres, while the latest United States government report forecasts a reduction of 200 million bushels in output comparable with a year ago. Later reports indicate further abandonment of winter wheat acreage. The present program of the United States government also calls for a reduction in the spring wheat area as well. It is also reported that moisture conditions have been poor in India and that appreciable acreage abandonment is expected. Normal yields on an acreage thus adjusted would bring total production more into line with consumption requirements. Recent unfavourable weather conditions in Europe may also affect production and thus contribute to the same result.

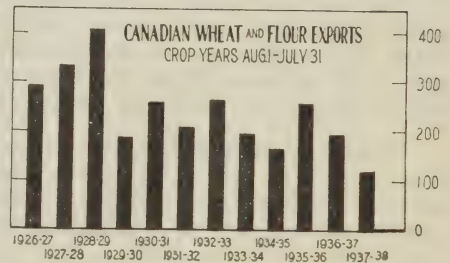
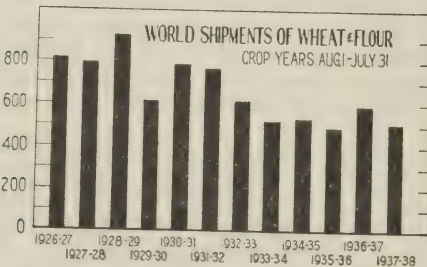
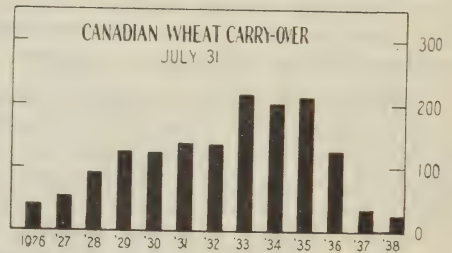
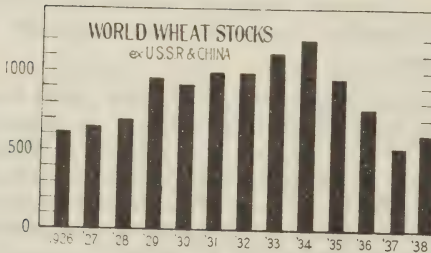
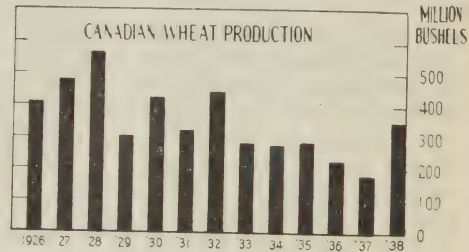
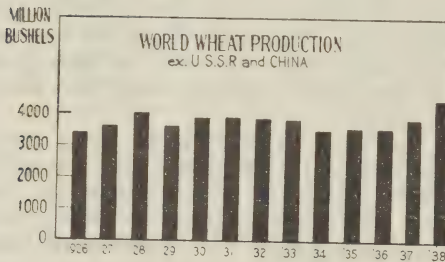
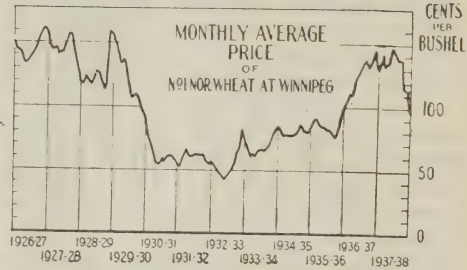
Apart from these changes in acreage indicated at the present time, much of the world acreage story is still to be revealed. However, the potential variations in 1939 world average yields are overruling in importance to the known acreage trends. Other things being equal, a repetition of 1938 yields in 1939 would add gravely to the current excess supplies. A repetition of 1936 yields would enhance their liquidation. Yields midway between these extremes may leave the current supplies unaltered. Average yields of wheat in importing countries have been relatively high in recent years and any reduction in yields might be reflected in increased imports.

Trade.—World net exports of wheat and wheat flour, including those from Russia, amounted to 546 million bushels in 1937-38, representing a decrease of 60 million bushels from the volume of net exports attained in 1936-37. Several uncertainties surround the prediction of the volume of world net exports during the current crop season. These may be listed as additional purchases of wheat for security reserves, possible over-estimates of production for certain countries, and increased human and animal consumption of wheat in response to relatively low prices. Against these possibilities for increased import requirements, the larger wheat production in most of the importing countries, results in less dependence on outside wheat supplies. With these factors in mind, it is estimated that world net exports of wheat and wheat flour for the 1938-39 season are likely to range from 540 to 565 million bushels.

Import Restrictions.—Exports of Canadian wheat to European countries other than the United Kingdom have declined materially in recent years. Canadian hard wheat is highly regarded in Germany, and at one time Canada supplied a large proportion of the total import requirements of that country. Since 1934, there has been a tendency to direct purchases to countries with which Germany has clearing agreements and special trading arrangements, regardless of the quality or price of the wheat offered. The importation of wheat into Italy is subject to ministerial licence and the government also controls and regulates the domestic production of wheat, the milling of flour and the baking and distribution of bread. Under these circumstances, no accurate forecast of Italian requirements is possible. France recently has had a large surplus of domestic wheat and imports are not permitted except for special

purposes and in amounts determined by the National Wheat Office. Millers may, however, import strengthening wheats under a system of temporary admission or as is now commonly called, of prior exportation. The importation of wheat into Switzerland has been restricted since May, 1932, by a quota system under which imports are taken largely from countries in which Switzerland has frozen credits. The result of this has been the diversion of a large proportion

FACTORS IN THE WORLD AND CANADIAN WHEAT SITUATIONS 1926-1938



of Switzerland's wheat imports to certain European countries, chief among which is Hungary. Belgian imports are controlled by a system of import licences and taxes the proceeds of which are used to pay a bounty to domestic wheat producers when necessary. Import licences are granted to anyone and for unlimited quantities, and importers may purchase wheat in the country of their choice except in special cases. The importation of wheat into the Netherlands since 1933 has

been subject to an import licensing system operated by the Central Agricultural Office. An import levy known as a "monopoly tax" is applied to all permits issued.

Prices.—During the spring and early summer months, as it became more and more apparent that both exporting and importing countries would have good wheat harvests, world wheat prices continued the downward trend which had been set in motion when the business recession commenced in October, 1937. The Liverpool December future, which averaged \$1.21 per bushel during November, 1937, had declined to 63 cents in November, 1938. Because of the very small supplies of hard milling wheats in 1937-38, Canadian wheat enjoyed an unusually favourable price spread which has since become more nearly normal with the return of more plentiful export supplies of wheat in Canada. The Winnipeg cash price of No. 1 Northern wheat averaged \$1.35 per bushel in November, 1937, and rose to \$1.49 in January, 1938. Since then it has declined to an average of 59 cents in November, 1938, which is less than half the price prevailing a year earlier.

Because of the decline in market prices during 1938, prices which growers receive have become a matter of government policy in the major exporting countries. In Canada, the Canadian Wheat Board is accepting deliveries from the 1938 crop by growers in the western provinces at the basic rate of 80 cents per bushel for No. 1 Northern in store Fort William-PortArthur which after allowing for freight rates, handling charges and grade differentials is equivalent to an average for all grades of approximately 59 cents to the farmer. Under the wheat loan program, the United States Government offers co-operating wheat producers loans at farm rates averaging about 60 cents per bushel. In addition, the government is subsidizing wheat and flour exports. This serves to prevent domestic market prices from declining to an international competitive level. The Argentine government is paying growers the equivalent of 59½ cents a bushel for top quality wheat delivered at Buenos Aires, with prices for the lower grades at appropriate spreads. The Australian government is paying a subsidy on the portion of the crop used in domestic human consumption, out of the proceeds of a tax on flour millings.

Canadian Situation

Supplies.—Following a five-year period of below-normal wheat yields in Canada, culminating in the unusually small 1937 crop of 182.4 million bushels, production in 1938 rose sharply to 348.1 million bushels. The Canadian wheat area increased slightly to 25.9 million acres in 1938, as compared with 25.6 million acres in 1937, and the ten-year (1928-37) average area of 25.3 million acres. The average yield per acre in 1938 rose to 13.4 bushels as compared with 7.1 bushels in 1937, the ten-year 1928-37 average of 13 bushels, and the 1908-30 average of 17.1 bushels per acre.

Since practically all available supplies were exported during the 1937-38 crop year, the carry-over of Canadian wheat at August 1, 1938, was reduced to 23.4 million bushels, the lowest level within fifteen years. When this small carry-over is added to the 1938 crop, total supplies of Canadian wheat for the current season amount to 371.5 million bushels. Deducting domestic requirements of 103 million bushels, there remain 268.5 million bushels available for export or carry-over, as compared with 114.8 million bushels in the 1937-38 crop year.

Moisture conditions in the Prairie Provinces last fall varied considerably, with above-normal rainfall in most of Alberta and normal moisture supplies in Saskatchewan, except in the southern districts. Practically the whole of Manitoba experienced an extremely dry autumn. Very little relief seed will be required, and with the availability of adequate supplies of rust-resistant wheats, it is

expected that all Manitoba and Eastern Saskatchewan growers of common bread wheats will use seed of the rust-resistant types.

Irrespective of the acreage sown next spring, growers will appreciate the need for keeping production expenses at a minimum in relation to their returns from wheat. The maintenance of proper soil practices, use of rust-resistant varieties in susceptible areas and employment of all possible control measures against insect damage will be necessary for the realization of the largest possible returns.

Trade.—Total Canadian wheat and flour exports during the 1937-38 season amounted to 93 million bushels, while wheat imports from the United States rose from 147,000 bushels in 1936-37 to 5.7 million bushels in 1937-38. Exports from August to November in the 1938-39 season totalled 72.4 million bushels, and it is expected that exports for the whole crop year will range between 150 and 170 million bushels. This volume falls considerably short of the average Canadian exports of 215 million bushels during the five crop years 1932-33 to 1936-37. Whereas Canada might ordinarily expect to export a similar volume of wheat in 1938-39 despite the continuation of restricted import requirements, the unusually large supplies available in competing exporting countries are making it more difficult for exports of Canadian wheat to reach this volume in the current season. However, the high quality of Canadian wheat continues to give Canada a special advantage in overseas markets.

Total exports of 150 to 170 million bushels will result in a carry-over of Canadian wheat on August 1, 1939, amounting to 100-120 million bushels. While a carry-over of this size is larger than necessary, a somewhat larger carry-over than that at August 1, 1938, would tend to ensure against deficiency in export supplies.

Prices.—The disappearance this season of the unusual premiums on top grades of Canadian wheat which prevailed throughout the 1937-38 season has been noted. Narrowing of these spreads in addition to the general decline of wheat prices has resulted in a 60 per cent decline in Winnipeg prices from the peak average during January, 1938, to the average in November, 1938. Farm prices in Canada averaged \$1.02 per bushel during the 1937-38 season. In the 1938-39 season farm prices are averaging about 59 cents per bushel.

Some of the basic factors which in the absence of new developments will affect market prices of Canadian wheat in the 1939-40 season will be the size of the 1939 Canadian and world crops, the 1939 carry-overs of old-crop wheat and general business conditions. Of these factors, the most clearly apparent at the present time is the considerable increase which will take place in the world carry-over of wheat, including an enlarged carry-over in Canada. General business recovery, if continued through the 1939-40 season, may provide moderate support for wheat prices.

Durum Wheat

World supplies of durum wheat in 1938-39 are plentiful for a second consecutive season. While prices are considerably below the level of a year ago, the spread between prices of the bread wheat grades and the durum grades is relatively unchanged. Canadian durum wheat supplies are being exported somewhat more readily this year than they were a year ago, although it is probable that the Canadian carry-over of durum wheat at August 1, 1939, will remain approximately the same as on August 1, 1938.

Canadian production of durum wheat in 1938 amounted to 22.0 million bushels, as compared with 26.4 million bushels in 1937. This reduction was mainly due to the smaller area of 1.7 million acres sown in 1938, as compared with 2.4 million acres in 1937. The reduction in acreage was due mainly to

the availability of substantial quantities of rust-resistant seed of the bread wheat varieties together with the discount of durum wheat prices in the 1937-38 season. The 1938 durum crop in the United States was 40.4 million bushels as compared with 28 million bushels in 1937. The United States again has durum wheat supplies beyond the needs of domestic requirements. The North African crops in Morocco, Algeria and Tunisia amounted to 42.0 million bushels compared with 45.9 million bushels in 1937.

While production of Canadian durum wheat was 4.4 million bushels less than in 1937, at least 8 million bushels of old-crop durum wheat were carried into the 1938-39 season, compared with a negligible amount a year earlier, so that the total supply for the current season is 30 million bushels, which is 3.6 million bushels larger than in the previous year.

Durum exports for the four-month period, August-November, 1938, amounted to 8 million bushels, whereas in the same period of 1937, durum exports were only 3.6 million bushels. The Mediterranean Basin and the Near East constitute the principal outlet for this type of wheat. The present crop year has witnessed three important developments in this area. For the first time Turkey has an exportable surplus amounting to 11 million bushels. Although there has been an increase of nearly 12 million bushels in the Italian crop, it is expected that most of this will be absorbed within that country. Despite the large surplus in the Mediterranean Basin, France will require to import from North America some 3.5 to 4.0 million bushels because of the short crop in French North Africa.

Winnipeg prices of No. 2 amber durum averaged 96 cents during the August-November period 1937, which amounted to an average spread of 39 cents below No. 1 Northern. In the same period of 1938, No. 2 amber durum averaged 48 cents with a spread of 17 cents below No. 1 Northern. Durum wheat continues at a discount below the bread wheat types and the present spread is relatively the same based on 1938 prices as it was a year ago.

Fall Wheat

The area sown to fall wheat in the autumn of 1938 amounted to 799,000 acres as compared with 815,000 acres sown in the autumn of 1937. The fall wheat area in Canada is almost entirely confined to Western Ontario, where it is grown as a cash crop. Winter abandonment of 9 per cent reduced the 1938 harvested area to 742,100 acres. Production amounted to 19.8 million bushels, as compared with 18.8 million bushels in 1937. The condition of the crop for harvest in 1939 at October 31, 1938, was 98 per cent of the long-time average compared with 93 per cent for the 1938 crop at the same time in 1937. Upwards of six million bushels are required annually for the production of flour for the manufacture of cake, biscuits and pastry, while smaller quantities are used in cereal breakfast foods. The remainder of the crop is utilized largely as feed.

The average price received by growers in November, 1938, was 58 cents per bushel compared with 99 cents per bushel in November, 1937.

Flaxseed

The 1938 flaxseed crop in Canada was almost double that of 1937. Production in other countries was greater than in 1937. Despite these increases in production, flaxseed prices have not fallen proportionately with other grain prices and returns from flax production now compare favourably with returns from wheat. The present situation indicates that this relationship will continue into 1939.

Canadian flaxseed production in 1938 amounted to 1,358,000 bushels compared with 698,000 bushels in 1937. While the area declined from 241,300

acres in 1937 to 221,200 acres in 1938, the average yield per acre rose from 2.9 to 6.1 bushels. The carry-over at the beginning of the present crop year was 219,000 bushels compared with 465,000 bushels a year earlier. Thus, total flaxseed supplies at the beginning of the 1938-39 season were 1.7 million bushels compared with 1.2 million bushels in 1937-38. Imports into Canada during the 1937-38 crop year totalled 1,116,000 bushels, compared with 991,000 bushels in 1936-37. These imports were chiefly from Argentina.

United States flaxseed production in 1938 was 6.1 million bushels, approximately one million bushels larger than in 1937. Indian production was 18.3 million bushels in 1938, compared with 18.8 million bushels in 1937. While it is too early for an estimate of the Argentine crop, it is expected that 1938 production will be appreciably higher than the below-average production of 60.6 million bushels in 1937.

Prices of No. 1 C. W. flaxseed at Winnipeg averaged \$1.36 per bushel during November 1938, compared with \$1.74 in November 1937. The percentage decline in flaxseed prices has not been nearly so great as that in wheat and other grains. Cash returns from flaxseed in 1938 were quite as good as those from wheat in the areas suited to flax growing. The world flaxseed area in 1938, apart from Soviet Russia where some reduction occurred, was very little changed from that in 1937, and present indications are that world production in 1938 was only moderately higher than in 1937. Canadian flaxseed production is still considerably below domestic requirements. With no appreciable surpluses of flaxseed in sight and with some increased demand from the construction industry in prospect, prices may be expected to remain relatively favourable in relation to the prices of other grains.

Rye

The 1938 rye crop was almost double the low production in 1937. Although European production was higher also in 1938, Canadian exports may exceed those of the previous crop year when domestic supplies were low. Rye prices have fallen proportionately with other grain prices and feeding of rye will be increased this year. Domestic requirements for distilling purposes continue at about the same level as in previous years.

Rye production in Canada in 1938 amounted to 11.1 million bushels as compared with 5.8 million bushels in 1937. While the area declined from 893,700 acres in 1937 to 741,400 acres in 1938, a sharp increase in the average yield per acre from 6.5 bushels in 1937 to 15 bushels in 1938 accounts for the considerable increase in production. Carry-over stocks of rye at August 1, 1938, were 982,000 bushels compared with 409,000 bushels a year earlier. Accordingly, total supplies of rye for the 1938-39 season are 12.1 million bushels compared with 6.2 million bushels in 1937-38. A large part of the rye produced in Canada is fall sown, and in the autumn of 1938, 596,000 acres were sown as compared with 582,000 acres sown the previous year.

Rye production in the United States was about 6 per cent greater in 1938 than in 1937. Canadian rye exports to the United States were negligible in the 1937-38 crop year, and are expected to remain low during the current season. European production in 1938 was 18 per cent greater than in 1937, and 9 per cent greater than the average from 1932 to 1936. Despite this increase in production, Canadian exports to Europe during the current season will probably be larger than in 1937-38, due to the present low prices and greater availability of export supplies. The carry-over of Canadian rye on the other hand is likely to be higher on August 1, 1939, than the below-normal carry-over of the previous two seasons.

A larger amount of rye is expected to be fed to live stock this year, while the small requirements for domestic distilling purposes continue about the same as in previous years. The use of fall rye for spring pasture is coming to be appreciated in many sections and this crop may also have an important place on hilly lands liable to suffer from erosion. Prices for No. 2 C. W. rye, which averaged $84\frac{1}{2}$ cents during October 1937, fell to 41 cents in October 1938, in response to the larger domestic supplies available this year and to the general decline in grain prices.

SEED

Seed Grain

Supplies of registered and certified grades of seed grain for the 1939 seeding are practically double those of the previous year and the wide-spread use of these grades should go far in improving the 1939 grain crops. The low prices received for the 1938 grain crop, however, may restrict the use of seed of this quality in the 1939 seeding.

For the first time in a number of years seed grain supply in the Prairie Provinces is regarded as satisfactory without the need of relief seed in large quantities. A few localities require some seed, where crop losses were caused by drought, hail and grasshoppers, and where black stem rust caused serious deterioration of the wheat crop. Gradually the production of rust-resistant varieties of wheat is spreading and losses from this disease are being minimized accordingly. The supply of seed of Thatcher and other rust-resistant varieties should be abundant for 1939 seeding and further replacement of susceptible varieties with this seed is advisable in areas in Manitoba and Saskatchewan where the black stem rust occurs. There is also an abundance of seed oats and barley. These crops matured well generally throughout Canada, without frost or other serious damage. The only exceptions were in some parts of the Maritime Provinces and eastern Quebec where excessive September rains spoiled some of the oat crop. The shortage may be made up from supplies available within these provinces.

Wheat.—Comparatively small quantities of relief seed wheat will be required in the Prairie Provinces next spring. As much as possible of the supply of registered and certified grade rust-resistant varieties should be distributed throughout the rust areas. The area affected by rust extended farther west in 1938 than in previous years. In Manitoba and Saskatchewan, the supply of registered and certified grades of rust-resistant wheat is reported as 1,867,000 bushels. In addition, there is an abundance of No. 1 commercial seed, mainly of the Thatcher variety. The total supplies of registered grade seed wheat of other varieties is 258,600 bushels and of certified grade, 475,500 bushels.

Oats.—All provinces appear to have ample supplies of oats for seeding next spring, although some local distribution will be necessary where rust and unfavourable harvesting conditions reduced the crop. There will be available some 885,000 bushels of registered seed oats as well as 317,000 bushels of certified grade. The latter are mainly in the Prairie Provinces, while the supplies of registered grade are distributed throughout all the provinces.

Barley.—The barley crop was generally good in all provinces in 1938, so that there should be an abundance of seed for 1939. Stocks of registered grade barley seed total about 131,000 bushels. The quantity of certified grade seed is approximately 59,000 bushels, most of which is held in Saskatchewan and Alberta.

Other Grains.—Other grains, including rye, peas, buckwheat, corn, field beans and soybeans, yielded well in 1938, and seed supplies for 1939 are regarded as satisfactory.

Clover, Alfalfa and Grass Seed

The commercial production of clover, alfalfa and grass seed in 1938, while varying in the different provinces, was larger for most kinds than in 1937. The total yields of red clover and alsike were larger than in the previous year and well above the average for the last five years. While less alfalfa seed was produced than in 1937, the total yield was well above the five-year average. Saskatchewan and Manitoba led in production, exceeding Ontario for the first time. The production of sweet clover seed in 1938 was the largest on record, being almost double the average production in the last five years. Timothy seed production in 1938 was about one-half of that in 1937. The production of brome, crested wheat and western rye grass in 1938 was much larger than in 1937. As a result of the increased production of most of these seeds and the present weak export demand, supply for domestic consumption in 1939 will likely be larger than usual with prices lower than last year. Export demand has declined sharply this season owing to a larger than usual world supply and prices for most seeds in the usual export markets have not been attractive.

Red Clover.—Canadian production of commercial red clover seed in 1938 is estimated at 6.1 million pounds as compared with the five-year average of 3.2 million pounds. The quality of the new seed is generally good. Domestic requirements for seeding in 1939 are estimated at 4 million pounds, leaving about 2.1 million pounds for export or carry-over. There is usually a brisk export demand, particularly from the United Kingdom, but prices in that market have been low owing to a large carry-over from 1937 and offerings of continental European seed at extremely low prices. It should be recognized, however, that the present market situation for red clover is decidedly abnormal and that a recurrence of this apparent over-supply is unlikely for many years. Buyers are paying growers 12 cents per pound for No. 1 seed as compared with 20 to 25 cents last year.

Alsike.—The production of alsike seed has assumed normal proportions after several years of short supply, amounting to about 6.8 million pounds in 1938. The total required for domestic seeding is about 2 million pounds, which leaves approximately 5 million pounds of the 1938 crop for export. Export demand for alsike this season has been rather slow and prices low due to a large competitive supply in the United States and Europe. Prices being paid to Ontario growers for No. 1 alsike range from 8 to 11 cents per pound as compared with 20 to 25 cents in 1937. At the end of 1938, there appeared to be little prospect for an improvement in demand, indicating a considerable carry-over against a possible short crop in 1939.

Alfalfa.—The production of alfalfa seed in Canada in 1938 is estimated at 4.0 million pounds as compared with the five-year average of 2.7 million pounds. The general quality of the new crop is good. The normal annual domestic requirements for alfalfa seed approximate 3 million pounds, which leaves a surplus of about 1.0 million pounds of the 1938 crop for export, which will probably be marketed in the northern United States. Much of the new crop, particularly in Saskatchewan, is of registered No. 1 grade and for this reason will likely command a premium of a few cents a pound over ordinary No. 1 grade. Growers are receiving from 14 to 20 cents per pound for No. 1 grade as compared with 19 to 25 cents in 1937. Registered grades command a premium of about 2 cents per pound over ordinary alfalfa seed.

Sweet Clover.—Canadian production of sweet clover seed in 1938, estimated at 11.8 million pounds, shows a substantial increase as compared with the five-year average of 6.2 million pounds. As the annual domestic consumption

is estimated at 4 million pounds, the surplus of the 1938 crop will approximate 8 million pounds. The prospect for marketing this surplus before the next season is only fair as there is a smaller outlet than usual for it in the United States, the only export market.

Timothy.—The production of timothy seed in Canada in 1938 is estimated at 4.3 million pounds as compared with the five-year average of 6.9 million pounds. The quality of the new crop is generally good. A large part of the seed in Eastern Canada is mixed with alsike. This increases its value in proportion to the alsike content. The decrease in production occurred principally in Ontario and British Columbia and was probably due to the low prices received for the 1937 crop. It is expected that the new crop, plus the carry-over from last year, will provide ample seed for requirements in the spring of 1939. Buyers paid growers in Ontario 3 to 5 cents per pound, as compared with 3.5 cents in 1937. A large supply of timothy seed in the United States is the main cause for the low prices in Canada this season.

Commercial Production of Clover and Grass Seeds in Canada, 1938 and 1937

000 lbs.

| | Maritimes | | Quebec | | Ontario | | Prairie Provinces | | British Columbia | | All Canada | |
|-------------------|-----------|-------|--------|-------|---------|-------|-------------------|-------|------------------|-------|------------|-------|
| | 1938 | 1937 | 1938 | 1937 | 1938 | 1937 | 1938 | 1937 | 1938 | 1937 | 1938 | 1937 |
| Red clover..... | 40 | ..... | 500 | 50 | 5,100 | 779 | 75 | 15 | 350 | 230 | 6,065 | 1,074 |
| Alsike..... | 1 | 20 | ..... | ..... | 6,771 | 393 | 88 | ..... | 100 | 154 | 6,960 | 567 |
| Alfalfa..... | ..... | ..... | ..... | ..... | 1,011 | 2,618 | 2,965 | 1,450 | 67 | 75 | 4,043 | 4,143 |
| Sweet clover..... | ..... | ..... | ..... | ..... | 1,723 | 1,465 | 10,100 | 6,840 | ..... | ..... | 11,823 | 8,305 |
| Timothy..... | 135 | 325 | 700 | 1,145 | 2,451 | 4,507 | 850 | 490 | 170 | 1,000 | 4,306 | 7,467 |

Brome Grass.—The Canadian production of brome grass in 1938 is estimated at 2.3 million pounds as compared with 1.1 million pounds in 1937. The production of this crop is confined to the Prairie Provinces and the higher yield in 1938 was the result of heavier precipitation in Saskatchewan and Alberta during the growing season. Of the 1938 crop, Alberta produced 1.5 million pounds, Saskatchewan 500,000 pounds and Manitoba 350,000 pounds. It is expected that most of the seed will be marketed during the current season despite the fact that the demand in the United States may not be as great as last year. Prices being paid to growers ranged from 6 to 9 cents per pound as compared with 9 to 12.5 cents in 1937.

Western Rye Grass.—The production of western rye grass seed in 1938 amounted to some 85,000 pounds as compared with 20,000 in 1937. Admixture with couch grass to which western rye grass is related botanically, and inferior drought-resisting and soil-binding characteristics, compared with crested wheat and brome grass are mainly responsible for the declining popularity of this crop. The demand for the seed is slow with little seed being moved.

Crested Wheat Grass.—The production of crested wheat grass seed increased in 1938 to 1,746,000 pounds as against 643,000 in 1937. Production by provinces was as follows: Saskatchewan 1,300,000 pounds, Alberta 370,000 pounds, and Manitoba 75,000 pounds. This seed is mainly of Canadian Fairway strain which is highly regarded. Most of the crop is expected to be marketed during

the season either for export or for domestic seeding. Crested wheat grass has become increasingly popular owing to its drought-resisting characteristics. Prices are lower this year due to the large supply, 13 to 20 cents per pound being paid for registered and certified No. 1 grade. Prices in 1937 ranged from 15 to 25 cents per pound.

Canada Blue Grass.—The total yield of this grass seed, which is produced mainly in southwestern Ontario, is estimated at 112,000 pounds in 1938 as compared with 300,000 pounds in 1937. The acreage devoted to the production of this crop has fallen off because of low competitive prices of Kentucky blue grass seed of American origin. The small supply available will likely be absorbed by the domestic trade for use in lawn grass mixtures and permanent pasture mixtures. Growers received about 12 cents per pound for No. 1 grade as compared with 9 cents in 1937.

Bent Grasses.—The production of Prince Edward Island or Colonial bent seed in the Maritime Provinces in 1938 is estimated at 3,500 pounds as compared with 12,000 pounds in 1937. The crop of velvet bent in Prince Edward Island was 600 pounds as compared with 1,000 pounds in 1937. Creeping bent production was 5,000 pounds as against 7,500 pounds in 1937. The reduced production was largely due to wet weather conditions at the time of harvesting and to reduced acreage, the result of low competitive prices.

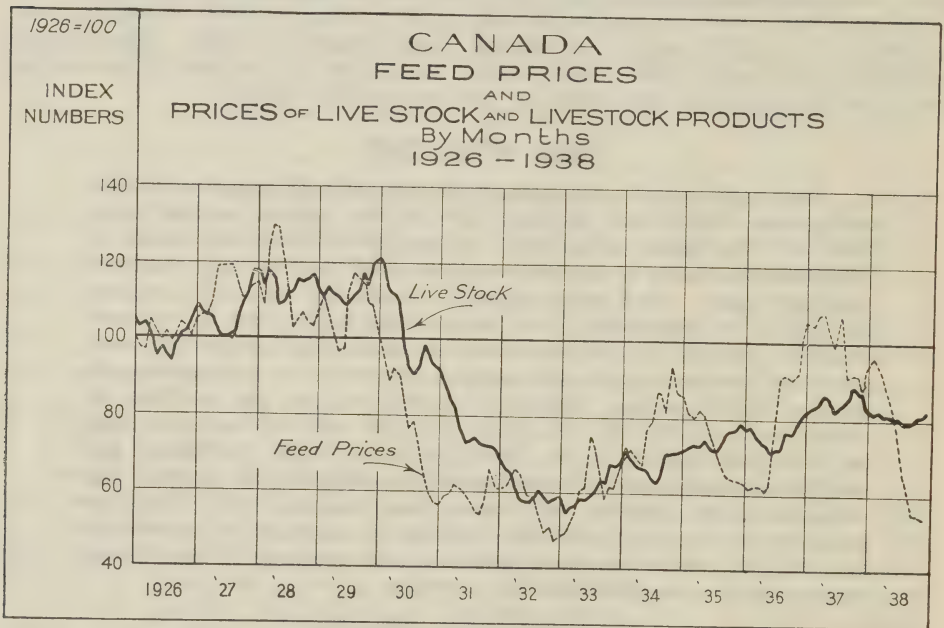
FEED SITUATION

Feed grain supplies per animal unit for 1938-39 are about 38 per cent greater than in the previous year and the highest recorded since 1930-31. Feed grain prices have declined greatly since the spring of 1938 while the prices of live stock and live stock products have remained relatively steady. Feed grain prices in Canada are expected to remain low during the remainder of the current crop season, due to relatively abundant supplies. It is expected that the relationship between live stock prices and feed grain prices will continue favourable for feeding throughout the 1938-39 season. Exports of barley and oats are not likely to exceed those of 1937-38. The Argentine corn crop was unusually light but feed grain supplies in the United States are large. In Europe also feed grain supplies are somewhat larger than those of the previous year while live stock numbers are slightly less than in 1937. Domestic production of tame hay and fodder and also of roots was greater in 1938 than in 1937 while live stock numbers were reduced. United States demand for hay is expected to be very light.

The Feed Grain Situation

Supplies.—The 1938 production of feed grains, including oats, barley, corn, mixed grains, buckwheat and peas amounted to 10.5 million tons compared with 7.9 million tons in 1937 and an average of 9.5 million tons for the years 1930 to 1934. The 1938 production was 32.9 per cent greater than that of the previous year and 10.3 per cent greater than the five-year (1930-34) average. The carry-over of feed grains at July 31, 1938, amounted to 514,000 tons compared with 426,000 tons at the same date in 1937. With the exception of 1937, this is the smallest carry-over recorded since 1922 and only 51 per cent of the average for the past ten years. Total supplies of feed grains for the 1938-39 season were 11.0 million tons, an increase of 2.7 million tons compared with supplies at the same date in 1937. At June 1, 1938, compared with the same date in 1937, a slight reduction was shown in the number of grain-consuming animals. On the other hand, the feed grain supply per animal unit at the beginning of the 1938-39 season was about 38 per cent greater than for the 1937-38 season and the highest since 1930-31.

The 1938 crop of oats amounted to 377.3 million bushels, an increase of almost 109 million bushels over the 1937 production. The total area of oats in Canada in 1938 was estimated at 13 million acres. This was almost identical with that of 1937, and represents a decline of one million acres from the peak for recent years established in 1935. The average yield per acre in 1938 was 29 bushels, which was an increase of 8.4 bushels over that of 1937. The improvement in yield accounted for the appreciable increase in the 1938 production. Yields were notably better in Saskatchewan and Alberta as well as in the eastern provinces. Only in British Columbia was a reduced oat crop harvested. Carry-over stocks of oats at July 31, 1938, amounted to 19.5 million bushels, an increase of 1.2 million bushels over the carry-over at the same date in 1937. Thus total supplies for the 1938-39 crop season amount to 396.8 million bushels, or about 110 million bushels more than in the previous year. As against relatively short supplies of oats for feeding in 1937-38, supplies for the 1938-39 season are ample and a larger farm carry-over may be expected at the end of the season.



Barley production in 1938 amounted to 102.7 million bushels, showing an increase of 19.6 million bushels over production in 1937. The 1938 barley area of 4.5 million acres showed an increase of about 3 per cent over the area sown in 1937. The larger crop in 1938 was largely the result of an increased yield per acre, which was 23.1 bushels as compared with 19.2 bushels in 1937. Yields were higher in all provinces except Manitoba and British Columbia. The carry-over of barley at July 31, 1938, amounted to 6.5 million bushels in comparison with 4.3 millions a year earlier. Total barley supplies for the current crop year amount to 109.2 million bushels. Domestic requirements of the malting industry in Canada approximate 6 million bushels annually and it is evident that Canadian supplies greatly exceed these needs. While small amounts of malting barley were exported to the United Kingdom and Europe last season, a somewhat larger overseas movement at present prices is anticipated this season. Because the malting types can be used just as readily for feeding, and also because of the low prices of barley generally, considerable amounts of malting barley are expected to be fed to live stock during the current season.

Corn for husking in Ontario in 1938 yielded 7·7 million bushels, an increase of 40 per cent over the crop in 1937. There was a considerable decrease from the previous year in the amount of ear corn harvested in Manitoba.

Imports and Exports.—Due to the short supplies of oats in the 1937-38 season, 11·8 million bushels were imported, practically all from the United States. With the large oat crop of 1938, total imports for 1938-39 are expected to be relatively small. Corn imports during 1937-38 amounted to 14·1 million bushels, and while still comparatively large, showed a decline of 31 per cent as compared with imports during the previous crop year. It is probable that total imports for the 1938-39 season will be considerably below those for 1937-38. Imports of other feed grains in 1937-38 were relatively unimportant. Soybean cake and meal imports were 17,600 tons in 1937-38. This was a marked increase over the 1936-37 importation of 2,300 tons. Imports of cottonseed cake and meal were 6,600 tons in 1937-38 compared with 3,000 tons in 1936-37. Imports of these latter feedstuffs are not likely to be so large in the current crop season as they were in 1937-38.

Exports of oats during the 1937-38 crop year totalled 4·8 million bushels, as compared with 6 million bushels during 1936-37. Increased supplies are available for the export market in 1938-39. However, production in the United Kingdom, which is the principal importer of Canadian oats, was about 9 per cent greater in 1938 than in 1937. Total barley exports during 1937-38 amounted to 14·7 million bushels, as compared with 17·6 million bushels in 1936-37. Whereas in 1936-37, the United States took the bulk of our barley exports, mainly for malting, the greater proportion went to the United Kingdom in 1937-38. Production of barley in both the United States and the United Kingdom was higher in 1938 than in 1937. Exports to the United States are, therefore, expected to remain negligible during the current season, while exports to the United Kingdom may be somewhat reduced.

Prices.—Feed grain prices were relatively firm during the autumn of 1937 and until March, 1938, but have declined steadily since that time. Thus No. 3 C. W. oats, basis Fort William-Port Arthur, declined from 50 cents in February, 1938, to 26 cents in October. Average prices for No. 3 C. W. barley dropped from 64 cents to 36 cents, while feed wheat declined from 80 cents to 35 cents during the same period. Feed grain prices are expected to remain low during the remainder of the current crop season, due to relatively abundant supplies.

The relation between live stock prices and feed grain prices is expected to remain favourable for feeding during the remainder of the current crop year, owing to the fact that prices of live stock and animal products are not expected to fall below their present levels, and may even rise moderately. Between February and October, 1938, the index of live stock prices declined fractionally from 81·1 per cent to 81·0 per cent in the 1926 level. The index of feed prices, on the other hand, dropped sharply from 96·4 per cent to 55·6 per cent of the 1926 average. By July, 1938, feed prices became relatively favourable for feeding with respect to the level of live stock prices. By October, 1938, the ratio between feed prices and live stock prices had become increasingly favourable for feeding, despite some declines in prices for commercial live stock.

Trends in Live Stock Numbers.—As a result of the very short feed supplies in 1936 and 1937, numbers of live stock on farms have declined considerably. The trend in cattle numbers has been downward since 1934. At June 1, 1938, there were 8·51 million head as compared with 9·01 million in 1934. While the downward tendency in numbers may be checked, numbers at June 1, 1939, are expected to show a further slight reduction. If normal feed conditions obtain in 1939-40, cattle numbers are expected to increase again in 1940 or 1941. The greatest reduction in cattle numbers has occurred in the Prairie Provinces,

particularly in Saskatchewan and Alberta. Future changes in numbers are therefore largely dependent upon feed grain production and range conditions in these provinces.

A very sharp reduction in hog numbers occurred during 1938, as a result of short feed supplies and an unfavourable relationship between feed prices and hog prices. The reduction was common to all provinces with the exception of Prince Edward Island. In view of the more favourable feed-hog price relationship prevailing in the last six months of 1938, an expansion in hog numbers is expected in the latter part of 1939. There were 3.49 million hogs on farms at June 1, 1938, compared with 3.96 million at the same date in 1937.

A slight increase in the sheep population was shown in the 1938 returns. Little variation has occurred in sheep numbers since 1933 and in view of low wool prices, no great changes in numbers are expected during the next two years.

There was a further decline in horse numbers in 1938 due to disease and lack of feed. The reduction in horse numbers since 1921 has released about a million acres of grain land for the production of cash grains and feed for other animals. While it is expected that the downward trend in numbers of horses will be reversed, it is unlikely that any considerable increase in the horse population will occur during the next few years.

Poultry numbers in 1938 were slightly below those of 1937, but in view of favourable feed conditions, the numbers at June 1, 1939, may show a considerable increase.

Total animal units on farms are now the lowest since 1931, and it is expected this situation will continue through most of 1939. The greatest reductions have occurred in the numbers of grain-consuming animals and it is expected that the greatest increases will occur in this class, particularly in hogs and cattle. If normal feed production is obtained in 1939 and 1940, supplies per animal are likely to be high because of the reduction in total live stock population over the past three years.

Situation in Other Countries.—The 1938 supply of feed grains in the United States was slightly greater than in 1937, and the highest since 1932. Live stock numbers have also increased, so that grain supplies per grain-consuming animal unit in 1938-39 will be about the same as for the previous year. Feed grain supplies in Europe were about 13 per cent larger in 1938 than in 1937 and live stock numbers were slightly reduced. Hence, import requirements of feedstuffs in Europe probably will be somewhat smaller during the current season. Due to drought, the 1937-38 Argentine corn crop was 50.2 per cent less than the 1936-37 crop and 48.3 per cent less than the average for the last five years. It is estimated that exports of Argentine corn for the crop year ending March 31, 1939, will be 129 million bushels as compared with exports of 269 million bushels during the previous crop year.

Situation by Regions.—Feed grain production in the Maritime Provinces, although exceeding the previous light crop, was still about 7 per cent less than the 1930-34 average. Prince Edward Island production was 1 per cent more than the 1930-34 average. With an increase in the number of grain-consuming animals, due largely to increased cattle numbers in Nova Scotia and New Brunswick, feed grain supplies in relation to requirements are considerably below average. Furthermore, the principal grain crop is oats, much of which is of light weight and inferior quality.

The 1938 production of feed grains in Quebec was 14 per cent more than the 1937 crop but 8 per cent less than the 1930-34 average. The quantity per grain-consuming animal is somewhat larger than that of the previous year and the quality is also superior. Ontario feed grain production in 1938 was 10.1 per cent greater than in 1937 and 4.1 per cent more than the 1930-34 average. The quality is fair and the quantity per grain-consuming animal unit above that of the previous year.

In Manitoba, the production of feed grains in 1938 was 6 per cent less than that of 1937 but 31 per cent more than the 1930-34 average. The quality of both barley and oats, however, was inferior to that of the previous crop. There was a slight reduction in the numbers of animals on farms but poor pasturage necessitated earlier feeding on a winter basis. Saskatchewan production of feed grains in 1938 made a good recovery from the very short crop of 1937, but was 1·2 per cent less than the average for 1930-34. Production, however, was patchy, but deficient areas were not uniformly affected and no extensive or long-haul movement of feed grains to deficient areas will, therefore, be necessary. There was a considerable decrease from the previous year in the numbers of cattle and hogs on farms in Saskatchewan. The 1938 feed grain crop in Alberta was 35 per cent above the 1937 crop and 32 per cent above the 1930-34 average. In the northern part, however, yields were light and in spite of a reduction in live stock numbers, some sections will have no more than enough for local needs. British Columbia feed grain production was 11 per cent less than in 1937 and 14 per cent more than the average for 1930-34. There has also been a reduction since 1937 in the numbers of grain-consuming animals on farms.

Commercial Feeds.—Mill output of wheat by-products and cracked corn was considerably lower in the 1937-38 season than in 1936-37, while the output of other ground feeds showed a substantial increase. Decreased production of wheat flour was responsible for the smaller output of bran and shorts, while the lower output of cracked corn was due to smaller corn imports. The increased output of other ground feeds was due to a fairly consistent demand for poultry feeds coupled with a need to supplement light farm supplies of inferior quality. Prices of bran and shorts rose from September 1937, to March 1938, and then declined steadily to September 1938, when prices were approximately \$6 per ton below the levels prevailing in the same month a year earlier. Since September, prices have turned upward again.

Hay and Fodder Situation

Production.—The total production of tame hay and fodder crops, including hay and clover, alfalfa, fodder corn and grain hay was 22·3 million tons in 1938 compared with a production of 20·8 million tons in 1937 and the 1930-34 average of 21·2 million tons. Fodder supplies per hay-consuming animal for 1938 were 2·11 tons as compared with 1·91 tons in 1937. Hay and clover production was 7·1 per cent greater than in 1937 and 4·0 per cent above the 1930-34 average. Alfalfa production was 2·3 per cent less than for the previous year but 32·4 per cent over the 1930-34 average. The fodder corn crop yielded 12·2 per cent more than the 1937 crop and 36·5 per cent more than the 1930-34 average.

Exports.—Exports of hay for 1937-38 were only 53,000 tons compared with 267,000 tons for 1936-37. Of this, 22,000 tons went to the United States and 19,000 tons to the United Kingdom. Reports from the United Kingdom indicate the need for moderate imports of hay. High production in nearly all parts of the United States plus a fairly large carry-over minimizes the possibility of any substantial outlet there this season.

Situation by Regions.—Tame hay and fodder production in Prince Edward Island was about 22 per cent less, in Nova Scotia about 9 per cent less and in New Brunswick about 13 per cent greater than for the previous year. Hay and fodder production in Quebec was about 14 per cent greater and in Ontario about 4 per cent greater than for 1937. There is more clover and clover mixed hay than usual in these provinces. Yields of fodder corn were better

in both Quebec and Ontario than in 1937. Production of hay and fodder in Manitoba was somewhat less than in the previous year, but quite sufficient for requirements. Saskatchewan production of hay and fodder in 1938 was more than double that of the previous year. Owing to drought and grasshoppers, however, supplies will be short of requirements in a number of local areas but available elsewhere within moderate hauling distance. In Alberta, hay and fodder production was 13·2 per cent more than the previous year, but in some of the northern areas, supplies will be no more than adequate and may be short if spring is late. British Columbia production of hay and fodder was about 14 per cent less than the light crop of the previous year, and while the quality of hay is good, supplies will no more than meet requirements.

Root Crops.—The total yield of turnips and other root crops was 4·6 per cent greater than for the previous year. All provinces from Ontario eastward shared in the increase with the exception of New Brunswick which showed a decrease of about 7 per cent. The British Columbia root crop was about 10 per cent below that of 1937. The 1938 sugar beet crop of 535,300 tons was 117,300 tons above that of the previous year. Most of the increase was in Ontario where production in 1937 was unusually light.

Pasture Conditions

Pasture conditions at the end of September 1938, were reported at 98 per cent of normal, and favourable weather has stimulated further improvement in some areas. Pastures ranged from good to excellent throughout practically all Eastern Canada except in part of Eastern Ontario and new seedings showed promise. Pastures were good throughout the season in the northern parts of Manitoba, but were very poor in the southern areas during the late summer and fall. In Saskatchewan and Alberta, pastures generally were poor in the early season but very good in the fall owing to late rains which stimulated growth on stubble fields and helped new seedings. Fall improvement in pastures was less general in the Peace River district. In British Columbia, pastures which were poor during the summer season made some improvement in the fall but winter pasturage on the ranges will be scant. New seedings were late in showing growth and do not promise well.

LIVE STOCK

Beef Cattle

Numbers of cattle on farms at June 1, 1939, are expected to show a further reduction from those of the previous year. The present cattle production cycle reached its peak in 1936. Net cattle marketings in 1938 were materially below those of 1937 and 1936. Further declines may be expected during 1939 and 1940.

The relative abundance of cheap feed in the Prairie Provinces indicates a volume of grain-fed cattle marketed from that area in the early part of 1939, in excess of the volume of any year since 1935. Any increase in marketings of grain-fed cattle in the Prairie Provinces during the early months of 1939 may, however, be offset in part by a reduction in marketings in Eastern Canada, since the movement of feeder cattle to farms in Eastern Canada during the autumn of 1938 was the smallest in four years.

Some improvement in price levels during 1939 may be expected owing partly to improvement in domestic industrial conditions, prospective reduction in net marketings of Canadian cattle and the reduced duty on cattle entering the United States. Little increase in the competition between beef and pork products is likely to occur until late in 1939.

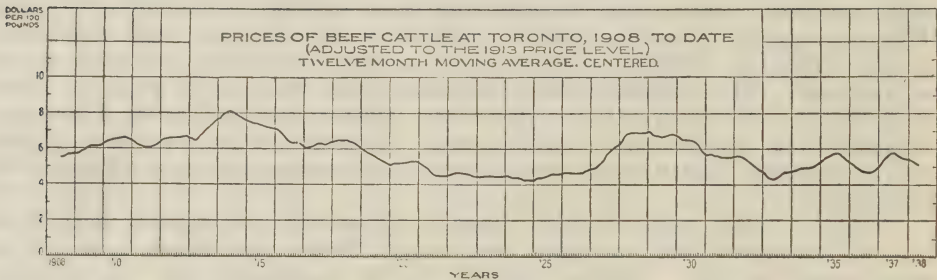
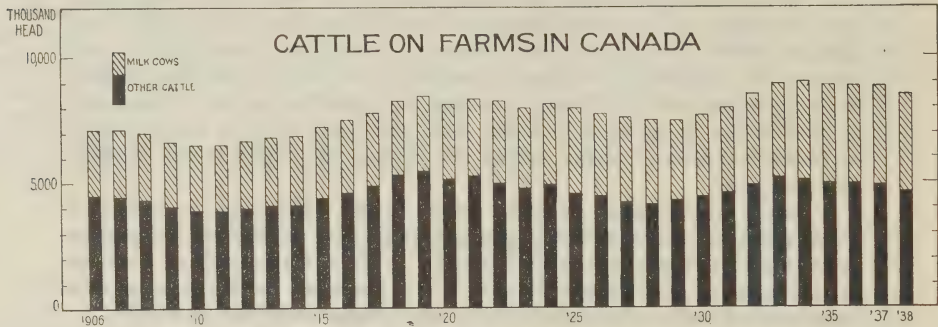
Production.—The numbers of cattle on farms at June 1, 1938, were estimated as fewer than at the corresponding date in 1937. Numbers at June 1, 1939, are expected to show further reductions. If, however, feed conditions are favourable in 1939-40, a subsequent increase in breeding would seem to be indicated. The present cattle production cycle reached its peak in 1936. Most of the decline in cattle numbers has occurred in the Prairie Provinces, particularly in Alberta and Saskatchewan. It would seem that any significant re-stocking which may develop will take place chiefly in these two provinces.

Sales of cattle and calves off farms for domestic and export trade from June to December, 1938, inclusive, were almost 30 per cent below those of the same period in 1937. Further declines in net marketings may be expected during 1939 and 1940. Since exports of live cattle and beef were considerably smaller in 1938, a larger proportion of the total supply was taken by the domestic market than was the case in 1937. In 1938 Canada did not export as many cattle to the United States as was permissible under the reduced rate of duty and while exports to the United Kingdom showed a substantial increase, the total export movement fell far below that of 1937.

The west-to-east shipments of feeder cattle to feedlots and stock yards in Ontario and Quebec, during the re-stocking period from June 1 to mid-November, were approximately 53,000 head as compared with approximately 177,000 head for the corresponding period of 1937. The movement of feeder calves totalled approximately 5,400 head as compared with 24,600 for 1937. The reduced movement was the result of the low spread between the price of feeder steers in the fall of 1937 and that of finished cattle in the spring of 1938, and to the fact that with an abundance of cheap feed in Western Canada, farmers in that area held cattle at a price higher than eastern farmers were willing to pay. The curtailment of the movement of feeder cattle to the East does not indicate a reduction in the total output of grain-fed cattle during 1939, but rather a shift in the areas from which these cattle will be marketed. While marketings of

grain-fed cattle from Western Canada may be heavier in the early part of 1939, this increase will be offset, in part, by a reduction in marketings from Eastern Canada.

Factors which seem to indicate some improvement in prices in 1939 include the prospective reduction in marketings of Canadian cattle, improved domestic demand and the further reduction in the duty on Canadian cattle entering the United States. Little increase in the competition between beef and pork products is likely to occur until late in 1939. The smaller marketings in 1939 may in part be the result of farmers retaining cows, heifers and calves for re-stocking herds depleted during the recent drought period.



Changes in total numbers of cattle on farms are shown in the chart above. The changes in numbers tend to follow a cycle of from 12 to 18 years from peak to peak. The slaughter or output cycle has about the same length but lags from three or four years behind the changes in numbers. Since reaching a high in 1934, cattle numbers have been declining. Slaughter on the other hand increased in 1936 and 1937, but indications now point to a downward trend in output during the next few years.

The second chart shows changes in adjusted beef cattle prices from 1908 to date. The prices were adjusted by dividing by the index of general wholesale prices, and the residual fluctuations largely represent changes in beef cattle prices as a result of changes in supplies. Beef cattle prices have shown an upward trend since 1934, with sharp rises in 1935 and 1937 as the result of drought and low feed supplies reducing the number of cattle coming forward to market in those years. If past experience is repeated, beef cattle prices in relation to the general level of prices should continue upward for the next three or four years.

Prospects for the export movement of calves during 1939 are much improved by the terms of the Canada-United States Trade Agreement which raises the maximum weight from 175 pounds to 200 pounds each and increases the quota. A further reduction in the duty and increases in the quota on imported live cattle would seem to improve the prospects for exports to the United States during 1939. The extent of the movement will depend upon the relative prices of beef cattle in Canada, the United States and the United Kingdom.

The Situation in Other Countries

The United States.—The number of cattle on farms as at January 1, 1939, may be somewhat larger than at the same date in 1938, but the extent to which cattle numbers may expand in the next few years is uncertain. The rate of increase in the numbers during the next few years will probably not be so great as that experienced from 1928 to 1934. As the upward trend is likely to be common to all classes of meat animals, it is reasonable to expect that increases will be accompanied by a downward trend in live stock prices. However, this depends upon the changes which may occur in consumer demand.

The United Kingdom.—Supplies of cattle on farms in England and Wales during June, 1938, showed a material increase in the number of cattle under one year, a small increase in cattle one year and under two, and a decrease in cattle two years old and over. Prospects for importations of live cattle from Eire into the United Kingdom are uncertain but the supply will likely be fairly liberal. The removal of the duty under the Anglo-Eire Trade Agreement would seem to have little effect on the prices of cattle in the markets of the United Kingdom.

Argentina.—The low levels of beef cattle prices in the Argentine, during 1938, were attributable to a reduction in domestic purchasing power, the policy of the United Kingdom in protecting the home live stock industry against imported products, inability to maintain domestic retail prices in the face of falling domestic consumption, to some extent, the influence of the unsettled international situation during the greater part of the year. Argentine exports were maintained despite the British import duty, but there appears to be some uncertainty as to the long-time effect of this on the demand for Argentine beef. Cattle prices are still well above the 1936 levels but prospects for any material improvement appear to be somewhat remote.

Australia.—Prospects for the Australian chilled beef trade during 1938-39 are favourable. This trade has been developing rapidly in recent years. In 1937-38 shipments of chilled beef to the United Kingdom amounted to 409,612 quarters as compared with 278,930 quarters in the 1936-37 season and 160,468 quarters in the 1935-36 season.

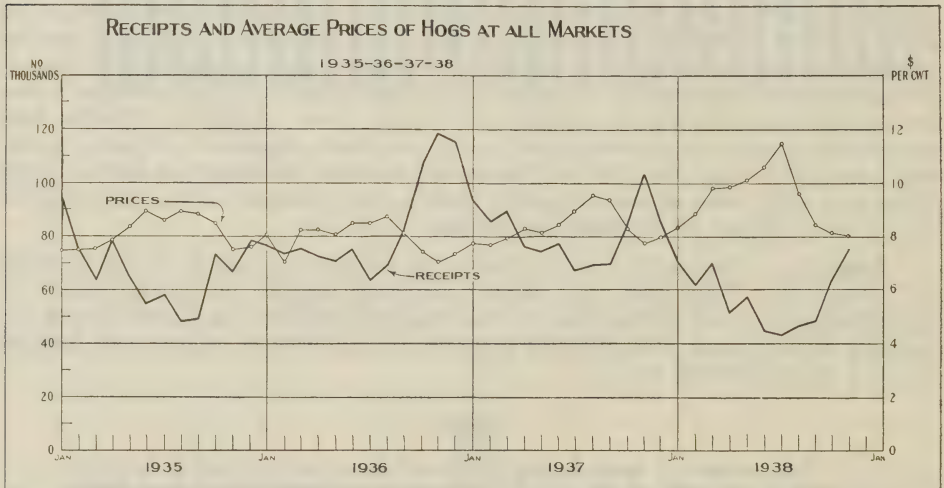
Hogs

The output of hogs during 1939 will show an appreciable increase over that of 1938, which was approximately 650,000 head below 1937. There may be an increase in marketings in some provinces during the early part of 1939, and a material increase in spring farrowings is expected which definitely will result in an increase in marketings in the autumn. Increases will be most pronounced in Western Canada where the sharpest reductions occurred in 1938, due to adverse conditions. There should be some increase in hogs for slaughter during the first six months of 1939, a further rise during the following three months, and a substantial increase during the last three months of the year. There is some indication that exports of hogs and hog products in 1939 may exceed those of 1938 by a considerable volume. Hog prices are expected to average about the same in 1939 as in 1938, improved consumer demand and a possible increase in exports tending to offset the larger supplies.

The output of hogs sold on stock yards, direct to packing plants and for export during 1938 showed a decrease of more than half a million from the record volume of 1937. This decline was due to an unfavourable feed situation which arose out of drought conditions in 1936-37 and 1937-38.

Hogs on farms at June 1 reached a peak of 4.1 million in 1936, declined to 4.0 million in 1937, and dropped further to 3.5 million in 1938. The heaviest declines took place in the Prairie Provinces owing chiefly to a shortage of feed. With feed prices relatively high as compared with hog prices during 1936-37, a general decline in numbers was to be expected. Hog prices, relative to other prices, began to rise at the end of 1932 and continued to advance until the summer of 1935. From then until August, 1937, hog prices declined. Since September, 1937, the trend of hog prices relative to other prices has been upward. The hog-barley ratio is distinctly favourable to increasing hog production.

Changes in hog production follow changes in the relationship between hog prices and feed prices. With comparatively low feed prices likely to be maintained through the 1938-39 crop year, it is expected that hog numbers and hog marketings in Canada will increase. Numbers of hogs on farms at June 1, 1939, are expected to be somewhat above those at June 1, 1938. Marketings during the present winter and early spring months of 1939 should be on about the same level as during the same months of 1938, with some tendency toward increase, particularly in Alberta, Manitoba and Ontario. The increase in fall marketings in 1939 will be appreciable and will continue into the winter of 1939-40.



It should be pointed out that during the years 1936 and 1937, declining hog numbers were associated with increased commercial marketings, because of a reduction in the numbers of hogs slaughtered locally and for farm consumption. Ample supplies of beef during the past three years have been a factor in enabling the maintenance of a substantial export movement of pork, although total hog supplies have been declining. There is evidence that the exceptionally heavy marketings in 1937 represented a good deal of forced liquidation of breeding stock, particularly in Saskatchewan and Alberta.

Hog prices are expected to average about the same in 1939 as in 1938. Improved consumer demand and a possible increase in exports offsetting the larger supplies. Prices should be relatively more favourable from January to June, 1939, than in the latter half of the year, although a general rise in the price level may tend to offset the usual seasonal decline in prices in the fall of 1939.

The Bacon Industry Act, 1938, which became law in July makes provision for the better organization of the British hog and bacon industries including assurance of economic price levels to farmers and curers. The average price

fixed by the Act is to be adjusted on a monthly basis with a view to ensuring a regular supply of hogs throughout the year. In addition, the regulation of imports is to be continued, which assures Canadian producers of a market protected from serious foreign competition. The number of sows kept for breeding in the United Kingdom as at September 4, 1938 was reported as being 5 per cent less than in 1937. The number of hogs on farms was 4 per cent lower.

Large and relatively low-priced feed supplies in the United States will result in a substantially greater hog slaughter in that country in 1939 than in 1938. This will be offset in part by a more favourable domestic and foreign demand situation. If feed production in 1939 is normal in the United States, a further increase in hog production is expected.

Under the recently signed Canada-United States Trade Agreement, the duty on hogs entering the United States was reduced from two cents to one cent per pound. This may result in a considerable regional export movement of certain types of hogs to adjacent United States markets. Exports of bacon and hams from Canada in 1939 should be higher than in 1938, and possibly may approximate the record exports of 1937. Storage stocks during the fall of 1938 were, however, considerably below those of a year earlier. In addition, the supply of beef may be somewhat lower, and, if total meat consumption is maintained, pork consumption in Canada may be slightly increased.

Sheep and Wool

Sheep numbers in Canada showed a slight increase in 1938. In some provinces there have been slight decreases due to unsatisfactory production conditions. Inspected slaughterings during 1938 were somewhat smaller than in 1937. This decline was due in part to an increase in holdings of breeding stock, particularly in the ranching areas affected by drought in 1937. While feed prices in the autumn of 1938 were more favourable than a year previous, the cost of feeder lambs was relatively high. As a result there were fewer lambs in eastern feedlots at the close of 1938. Therefore, the offering of finished feedlot lambs will not be heavy during the early part of 1939, and this should have a tendency to maintain prices on a firm basis. With an abundance of feed suitable for sheep available, there is every prospect, if winter conditions are favourable, of a considerable increase in the lamb crop in the spring of 1939. A further expansion of lamb production may be expected in 1940 as ewe lambs were retained in large numbers in the fall of 1938, especially in the west.

Wool prices in 1938 showed little change, although there was a sharp decline from prices of the previous year. Price increases are dependent mainly upon expansion of trade with the United States and improvement in domestic demand. These factors would counteract to some extent, the price-depressing effects of large supplies of wool on the world markets.

Sheep and Lambs.—On June 1, 1938, the sheep population of Canada was estimated at 3,415,000 head, an increase of 75,100 as compared with the corresponding date in 1937. The provinces of British Columbia and Saskatchewan showed some decrease, while Alberta and Manitoba showed increases. Drought conditions in Saskatchewan were responsible for the decrease in that province. In Manitoba, and Alberta, where feed conditions were about average, the increases indicate that farmers and ranchers are becoming more interested in sheep raising. In Eastern Canada, Ontario and Prince Edward Island were the only provinces which showed decreases in sheep population, and these were only small.

Slaughtering of sheep and lambs at inspected packing plants in 1938 were somewhat less than those in 1937. This may have been due in part to farmers and ranchers retaining more of their breeding ewes. This tendency was most evident in ranching districts, especially those affected by drought in 1937. In the latter areas, ranchers also kept all or most of their ewe lambs in 1938 for breeding purposes. The retention of these lambs curtailed the volume of feeder lambs moving into feedlots in the fall of 1938, and this will reduce materially the volume of finished feedlot lambs marketed during the winter and spring months of 1939.

Prices at the beginning of 1938 were somewhat discouraging to those offering finished feedlot lambs. The number of lambs reaching finish weight during January and February was larger than normal, and as lamb was in competition with fowl and other meats at that time of the year, the market was not in position to absorb any excessive amount, with the result that the usual upward trend in prices did not materialize until well into February. From February on, however, the price of lamb began to strengthen and finally established a level practically equal to that of 1937, in spite of the fact that the Canadian market absorbed one-half million pounds of New Zealand and Australian lamb. On account of disease affecting ewes and lambs in New Zealand, the prospect is for smaller supplies and higher prices in that country. Australian exports of lamb and mutton are increasing, having attained a record volume during the season of 1937-38.

The returns from lamb feeding during the winter of 1937-38 were small because of the high price of feeds. This may have been a contributing factor to the large volume of feeder lambs sold during January and February, and to the larger proportion of poorly finished lambs marketed. In the fall of 1938, the range feeder lambs were purchased by western feeders at prices ranging from \$5.50 to \$6 per hundred f.o.b. ranch station. The movement of sheep and lambs from the west to eastern feedlots and stock yards from June 1 to November 30, 1938 amounted to approximately 14,000 head as compared with more than 39,000 head for the same period of 1937. While feed prices in the fall of 1938 were much more favourable than in the fall of 1937, the cost of feeder lambs was considered by many prospective eastern feeders to be too high and as a result, fewer lambs were on feed in eastern feedlots late in 1938. As there is apparently a smaller number of feeder lambs available, it is not likely that there will be a heavy offering of finished feedlot lambs at any time in 1939. This should have a tendency to maintain prices on a firm basis.

With an abundance of feed suitable for sheep, available in both Eastern and Western Canada, there is every prospect, if winter conditions are favourable, of a considerable increase in the lamb crop in the spring of 1939. As ewe lambs retained in large numbers, especially in the west, will begin to produce lambs in 1940, a further expansion of lamb production may be expected in that year.

In Eastern Canada, there is a definite trend toward the production of early lambs. Many of these lambs are slaughtered locally during the tourist season and it is expected that the volume of early lambs will increase. This will have a tendency to reduce the volume of lambs sold during the fall months and make marketings throughout the year more uniform.

Wool.—The quality of the wool clip of 1938 was much superior to that of 1937, particularly in the West where the wool was comparatively free from dust. Eastern wool compared favourably with that of the year previous. The wool market was characterized by a lack of interest on the part of buyers during the year. A higher percentage of the 1938 clip was still in producers' hands late in the year, being held for higher prices.

An encouraging feature of the market in 1938 was the much wider sale of officially graded Canadian wool to domestic mills. Exports to the United Kingdom were well maintained. The outlet for paper felt wools to the United

States mills could be increased substantially if more of that type were being produced. Despite moderate increases in Australian production during the past three years, drought conditions during the past season probably will result in deterioration in quality and a lessened yield.

There was little change in wool prices during 1938, although a steep decline had occurred in the late months of 1937. Sales were made on the basis of world prices, with some Canadian grades selling at considerable price premiums. Stocks of wool in most importing countries except Japan were larger in 1938 than in the previous year. Supplies of wool in the southern hemisphere in 1938-39 are expected to be larger than those of a year earlier. The possibility of increasing prices depends mainly upon two factors—the expansion of trade with the United States, and improved demand as a result of improvement in business conditions. These factors should, to some extent, counteract the price-depressing effect of the large supplies of wool on the world's markets.

Horses

While the number of horses on farms in Canada at June 1, 1938, showed a further reduction, there is evidence that larger foal crops within the next few years will cause a reversal of the downward trend. The decline in numbers in 1938 occurred chiefly in Saskatchewan, where disease and lack of feed have caused heavy mortality. With the exception of small declines in Alberta and New Brunswick, increases were recorded in the other provinces. There was a good demand during 1938 for pure-bred stock for breeding purposes.

Increases in numbers of colts and fillies in 1938 were indicated in all provinces, with the exception of Saskatchewan. However, the larger foal crop in 1938 was not sufficient to offset losses. The 1938 outbreak of sleeping sickness was particularly severe in western and northwestern Manitoba, eastern and central Saskatchewan and central Alberta. In some localities, farming operations were seriously interrupted by lack of power.

Prices of horses, after rising rather sharply from 1933 to 1937, declined in the spring of 1938, but not to the same extent as prices of other farm products. The average price received by farmers in March, 1938 was \$93 per head as compared with \$95 in 1937 and \$85 in 1936. Exports of horses during 1938 were about half those of the previous year. Supplies of good work horses are still below normal. Increases in farm cash income and improved foreign demand should result in rising prices.

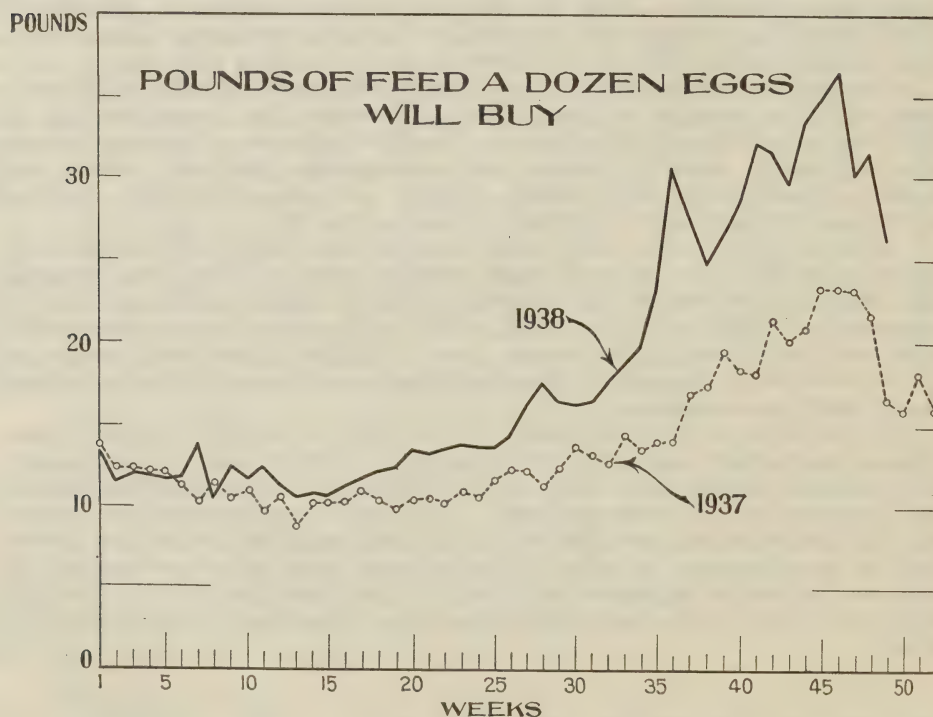
Tractor sales continue to increase, and in 1937 the number sold in Western Canada was double that of the previous year. Sales in Eastern Canada have also increased, in part as a result of the introduction of smaller-sized tractors and tractors suitable for row-crop work. The trend toward increased mechanization is expected to continue, but its rate of progress depends upon an upward trend in farm income. In spite of this tendency, horse prices are expected to continue favourable in relation to prices of other farm products for the next few years, in view of the fact that it takes three or four years to develop a work horse.

EGGS AND POULTRY

The position of the poultry producer improved materially in 1938 as a result of a reduction in feed costs. Egg prices showed a slight increase over 1937 but poultry prices were lower, particularly in the latter half of 1938. Increased hatchings are expected in 1939, as a result of which there will be a larger poultry crop, and heavier egg supplies during the latter half of the year. The heavy exports of live poultry to the United States in 1937 were not duplicated in 1938 and probably will not be in 1939. Poultry prices in 1939 probably will be affected by the United Kingdom market situation as was the case in 1938. Egg prices during the first half of 1939 should approximate those of 1938 but may be slightly lower in the latter half.

Eggs

Moderate supplies and a fairly good demand resulted in reasonably firm prices on Canadian egg markets during 1938. Spring prices were one to two cents per dozen above prices in the year previous and summer prices were



about equal to those of 1937. In the fall of 1938, the seasonal advance began earlier and attained somewhat higher levels than in 1937, the October average for Grade A Large at Montreal being 44·5 cents per dozen in 1938 compared with 42·8 cents in 1937. Thus the upward trend in egg prices, which started in 1934 and was temporarily arrested in 1937, was again apparent in 1938. Coupled with this upward trend in egg prices during 1938 was a reduction

in feed prices, resulting in a distinct improvement in the position of egg producers.

Hatchings in 1938 showed little variation from those of 1937 and the numbers of hens and chickens on farms at June 1 in both years were about the same. Volume of egg production during the first half of 1939, therefore, should approximate that of 1938. Heavier hatchings are to be expected in 1939 as a result of higher prices received for eggs in 1938 and relatively low feed costs. When the pullet crop of 1939 comes into production in the fall and winter, some increase in egg marketings as compared with previous years may be expected.

Demand for eggs during the first half of 1939 should approximate that of the same period in 1938. In 1938, a new outlet for spring eggs was developed with the export of 13,500 cases to Great Britain. While the volume was not large, these shipments helped materially to bring about the firm price situation which developed. Similar exports probably will be made in 1939. There was a good demand for eggs for storage in the spring of 1938 because storage stocks at that time were the lightest on record. In spite of this, eggs did not move out of storage freely in the fall because of handling difficulties arising from the unusually mild weather. Somewhat less active demand for eggs for storage may, therefore, develop in the spring of 1939.

Looking forward to the probable effect of the above factors on the egg market for 1939, it is necessary to consider the outlook for that year from two angles. In the spring and summer, conditions of supply and demand should approximate those of 1938. If the heavier hatchings expected in 1939 materialize, supplies of eggs during the latter half of the year will increase. It is uncertain to what extent domestic demand will take care of increased marketings at the average fall and winter prices of recent years. It is probable, however, that 1939 will witness a continuation of the trend of recent years, that is, a narrowing of the spread between spring and winter prices and a shortening of the period of extremely high prices.

Poultry

Light storage stocks from the 1937 crop brought about a favourable supply situation during the first part of 1938. Total holdings on January 1 were only 10.7 million pounds as compared with the average of the preceding five years on that date of 12 million pounds. Thus, early marketings were absorbed at fairly satisfactory prices. When the season of heavy marketings began, the market did not enjoy the buoyancy which characterized the 1937 season as a result of the heavy exports of live poultry to the United States. Lacking this outlet at the relatively satisfactory prices which prevailed in 1937, prices during the latter part of 1938 were one to two cents per pound lower.

The favourable egg-feed ratio which promises to carry through the first half of 1939, coupled with more normal feed conditions in the West, is expected to result in heavier hatchings in 1939 and a somewhat more abundant poultry crop in that year. Stocks in storage at the beginning of the year should be more nearly average than was the case at the beginning of 1938. This, however, is not necessarily an adverse condition so far as the domestic market is concerned, since exports to Great Britain during the first half of 1939 will probably be considerably heavier than in 1938.

The rather abnormal situation created through the heavy live poultry exports to the United States in 1937 was not duplicated in 1938 and probably will not be in 1939. Exports to that country up to the end of October were 260,900 head as compared with 953,600 head for the same period in 1937. Domestic supplies in the United States were light in 1937 but were heavier

in 1938 and are expected to be still heavier in 1939. Shipments to the United Kingdom in 1939 and shipments of the 1939 crop early in 1940 should be sufficient to absorb all surplus stocks and not leave them to be disposed of on the home market at prices which will have a depressing influence.

Exports of Canadian poultry to Great Britain in recent years have been of sufficient volume to make export prices the chief factor in determining Canadian prices. This was the case in 1938 and it may happen again in 1939, since it is not probable that the export movement to the United States will divert the trade as it did in 1937. Since the British market will likely absorb a considerably greater quantity of Canadian poultry than has been offered in recent years, the fact that the 1939 Canadian crop may be heavier than that of 1938 should not result in lower prices. During the heavy marketing season of 1939, prices should be about the same as in 1938. This outlook may be affected by any abrupt change in the United Kingdom situation.

DAIRY PRODUCTS

There will be fewer cows on farms than in 1938, but on account of the abundant supplies of home grown feeds, during the first quarter of 1939, the production of milk per cow should exceed that of the preceding year, and the total production of milk will probably be slightly above the 1938 level. Low butter-fat prices during this period may tend to have an adverse effect on dairy production later in the year. The domestic demand for dairy products should be somewhat better than in 1938 but competition from other countries is expected to retard any marked improvement in the export trade.

The production of creamery butter in 1938 was the highest on record, being approximately eight per cent above the 1937 output. Butter exports did not reach the level of the preceding year, and due to heavy stock holdings, low prices are expected to continue during the early part of 1939. Cheese production declined approximately seven per cent from 1937. Cheese prices for the first nine months of the year averaged slightly above those of 1937. Exports were somewhat lower. The production of concentrated milk products in 1938 was over 20 per cent above that of the preceding year. Exports of these products increased but prices fell below those of 1937. A heavy carry-over of both butter and concentrated milk products and the consequent low prices early in the year may cause some diversion of milk from creameries and condenseries to cheese factories.

During the past ten years, there has been a considerable expansion in the dairy industry. In some respects, the development in dairy production may be associated with the decline in prices of grain and live stock. Progress made in recent years appears to be of a more permanent character, particularly in Western Canada. This is indicated by the total milk production of Canada which has shown continuous increases during the past five years, moving from 15,900 million pounds in 1932 to 17,200 million pounds in 1937. The 1938 production will probably reach 17,500 million pounds, an increase of about 350 million pounds over that of 1937. Approximately 50 per cent of the 1937 milk supply was manufactured into creamery and dairy butter, and about 40 per cent was used for domestic consumption and for live stock feeding. The cheese industry took 8.3 per cent of the total milk production, while concentrated milk and other miscellaneous products accounted for the remainder. The total value of dairy production in 1937 was approximately \$228 million and the comparable figure probably will be about \$230 million in 1938.

The milch cow population of 3.9 million at June 1, 1938, was 66,000 below the number recorded at the same date a year ago, while dairy heifers estimated at 897,100 represent a reduction of 18,000 from the same date of the previous year. This will mean fewer cows available for milking purposes in 1939, although the number of heifers per hundred cows at June 1, 1938, was practically the same as at the same date in 1937. Sales of cows and heifers in the fall of 1938 showed a considerable decline as compared with the marketings of a year ago, indicating that farmers were retaining more young stock for breeding purposes. The percentage of cows being milked showed a slight increase during the first ten months of 1938 as compared with the same period of 1937. Likewise the milk production per cow for the nine months was 2 per cent higher than that reported in the same period of the preceding year and it is expected that this tendency will continue at least during the first quarter of 1939. These factors should lead to a slightly higher total milk production during the first

quarter of 1939. Low butter-fat prices during this period, however, may tend toward reduced production later in the year.

Based on an expected improvement in the domestic situation, some increase in the volume of dairy products consumed in the home market may be anticipated. The continuation of the improvement in business activity in the United Kingdom registered during the last quarter of 1938 promises to increase the demand for dairy products in that country. The situation in competing countries, however, indicates that production of dairy products will be maintained. Under the new Canada-United States Trade Agreement, further concessions have been made in the duty on whole milk, cream, skim milk, dried buttermilk and cheddar cheese entering the United States.

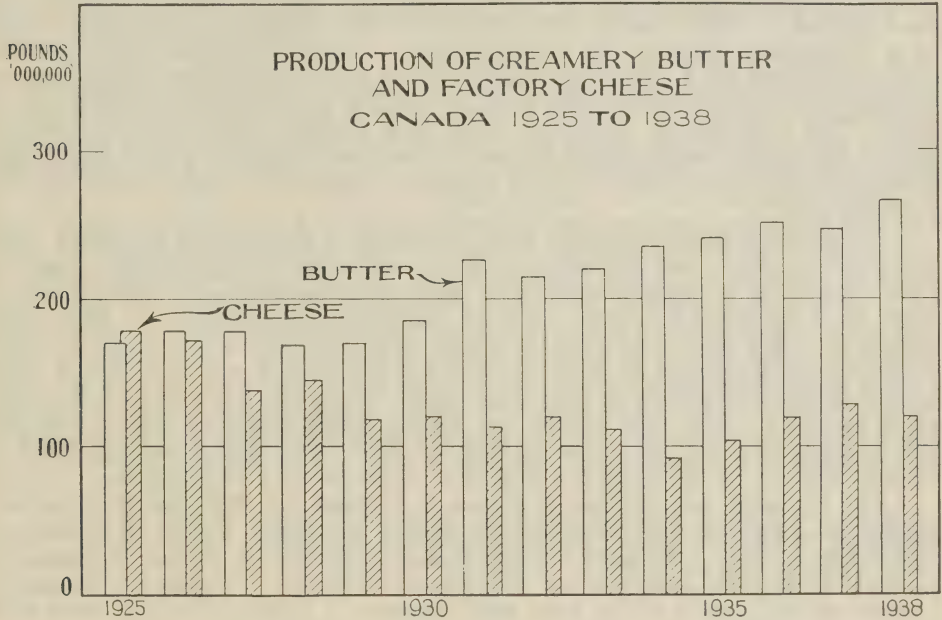
Butter

Production of creamery butter for the year 1938 was the largest on record. For the eleven months ended November 30, 1938, the production was 256 million pounds and the total for the year should approach 266 million pounds. During January and February of 1938, there was a slight decrease in production compared with the same period of 1937, but from March onward, increases were registered in all months. The largest increases were recorded in May and August and all provinces with the exception of Saskatchewan contributed to the increase. Two factors were responsible, namely, good pastures in all parts of the Dominion throughout the late spring and summer months, and the relatively high prices of butter as compared with prices of cheese during the first five months of the year. This spread in prices undoubtedly caused considerable diversion of milk from cheese factories to creameries in Quebec and Ontario during the spring and although the spread narrowed appreciably during August, September and October, there was no marked diversion of milk to cheese factories until the latter month. Lower butter prices during the early part of 1939, as compared with prices during the spring of 1938, may tend to lower production in some areas but this may be offset by the extra supplies of feed available. This will mean lower prices to the farmer selling butterfat in the form of cream, and the continuation of such prices into April and May will probably cause a diversion of milk from creameries to cheese factories, particularly in Quebec and Ontario. Such diversion would appear to be necessary to offset the heavy carry-over of creamery butter from 1938.

Butter prices, which had risen sharply during the last three quarters of 1937, commenced to decline in April of 1938. The decline continued until October and prices from July to October averaged 3.2 cents per pound below those of the corresponding months of the previous year. The prospects for the early part of 1939 are for lower prices, due to heavy storage stocks in Canada and prices in the United Kingdom unfavourable for the export of the surplus above domestic consumption requirements. For the first four months of 1938, London quotations for butter comparable in quality to First Grade Canadian pasteurized averaged 7.8 cents below Montreal prices, but from May to September averaged 1.8 cents higher than those in Montreal. At New York, the average monthly price of 92 score butter for the eight months ended August 31 was 0.86 cents below Montreal quotations for the same period. This was in sharp contrast to the situation which obtained for the twelve months previous, during which time New York prices were consistently higher than those in Montreal.

Storage stocks of creamery butter at the beginning of each month were lower for the first four months of 1938 than at the same dates in 1937. However, since May 1, monthly stocks gradually increased over those of 1937, and at December 1, stocks of creamery butter in storage were 53 million pounds. This represents an increase of 15 million pounds above stocks at the same date in 1937. For the first time on record, stocks of creamery butter in Canada exceeded 60 million pounds at October 1, 1938. In spite of increased production and higher

stocks, exports of creamery butter in 1938 were about the same as the 1937 figure of four million pounds. There was very little movement of butter to the United Kingdom until September, and due to lower prices, unfavourable exchange rates and a heavy accumulation of supplies in the United Kingdom, the export movement from Canada was less than anticipated during October and November. Exports of cream during the first nine months of 1938 were negligible and the amount of butterfat involved had no appreciable effect on the butter situation. For the first nine months of 1938, 5.3 million pounds of creamery butter were imported into Canada, 5.25 million pounds being brought in during the first four months. These figures represent the greatest imports since 1931.



The consumption of butter during 1938 exceeded slightly that of 1937, which approximated 364 million pounds or a per capita consumption of 32.71 pounds, the highest figures so far recorded. These consumption figures include approximately 113 million pounds of dairy butter made on farms. With higher prices during the first six months of the year, and a heavy increase in production during the summer months, the total value of creamery butter made in Canada should be approximately \$4 million greater in 1938 than in 1937.

Cheese

The substantial increase in factory cheese production, which, during 1937 reached the highest level since 1928, was not maintained during the year 1938. Production in 1938 was slightly under 120 million pounds as compared with 128.4 million pounds during 1937. The four western provinces all showed increases as compared with 1937, while the eastern cheese-producing provinces showed decreases. For the first ten months of 1938, Ontario and Quebec, where 95 per cent of the cheese is produced, showed production decrease of 8.4 per cent as compared with the same period of the previous year. High butter prices in relation to cheese prices early in 1938 and the demand for milk for concentrated milk products were the principal causes of the decreased production of cheese in Ontario and Quebec during 1938. These decreases were offset partially by

increased production during the latter part of October and November compared with the same period in 1937. Production in the four western provinces, representing four per cent of the total Dominion output, is steadily increasing each year, particularly in Alberta and Manitoba. Relatively high storage stocks of both butter and concentrated milk products at the end of 1938, indicating lower prices for these products in 1939, will favour a diversion of milk to cheese factories in 1939, provided cheese prices are maintained at the 1938 level.

Cheese prices during the first ten months of 1938 averaged 14·6 cents and except for July and October were higher each month than in the corresponding period of 1937. The substantially higher price of Canadian cheese in the United Kingdom during the first ten months of 1938 as compared with the same period of 1937 was largely responsible for maintaining domestic prices at a higher level than in the previous year. The London price for Canadian cheese averaged 16·8 cents per pound and was 0·57 cent per pound higher for the first ten months of 1938 than during the same period of the previous year. The premium for Canadian over New Zealand cheese on the London market during the period under discussion was 1·45 cents per pound which was 0·28 cent per pound less than the premium during the same period of the previous year.

Total cheese exports for the year 1938 show a decrease as compared with the previous year, proportionate with the decrease in production. Exports from January 1 to September 30 were 48·7 million pounds, the bulk of which went to the United Kingdom. United Kingdom imports for the first eight months of 1938 were only slightly higher than for the same period in 1937. New Zealand supplying 58·9 per cent and Canada 24·6 per cent of the total United Kingdom imports in 1937, exported less to that market in the first eight months of 1938 than during the corresponding period of 1937. Imports into Canada for the first nine months of 1938 were approximately 902,000 pounds, mainly of varieties not generally manufactured in Canada.

The apparent consumption of cheese in Canada for 1937 was 39·3 million pounds as compared with 40·2 million pounds for 1936. Stocks of cheese on November 1, 1938, were 43·5 million pounds. Ordinarily, stocks of cheese in Canada have little influence on the domestic market. Stocks of cheese in Canada at any period of the year may represent a portion that has been sold for export and stored in this country for future delivery.

Concentrated Milk Products

Production of concentrated milk for the first nine months of 1938 was 132·7 million pounds. This was 23 per cent greater than production in the corresponding period of 1937, and an increase of 54 per cent compared with the corresponding period of 1936. Of the total, evaporated milk represented 87 million pounds and accounted for 66 per cent of the gain over 1937. All products, with the exception of cream powder, condensed milk and condensed buttermilk, contributed to the increase. Domestic demand for concentrated milk products continued firm in 1938, but prices were lower owing to the exceptionally heavy production. Consumption in 1938 showed a substantial increase over that of the previous year. The spread between retail prices of fluid and canned milk has been a factor in the increased consumption of canned milk. Exports of evaporated, condensed and powdered milk during the first nine months of 1938 were greater by 5·2 million pounds than during the corresponding period of the previous year. Imports of concentrated milk products during this period were less than a million pounds. Stocks on hand at September 1, 1938, were 34 million pounds, which was 15 million pounds greater than on the same date in 1937 and the largest on record. This will probably result in lower prices or a check in the expansion of the industry.

Foreign Situation

An abundance of comparatively cheap feed in the United States points to a heavier milk production in the winter feeding season of 1938-39 than in the previous year. An increase in numbers of milch cows is in prospect and this will probably result in a general expansion in production. Any marked improvement in the general level of prices of dairy products in that country will depend upon further recovery in business and a rise in the general level of prices.

Australia's butter production during the 1937-38 season showed an increase of approximately 35 million pounds over the previous year. With favourable production prospects, there probably will be a larger exportable surplus of butter in the 1938-39 season.

During the year ended July 31, 1938, there was a decline of 6.5 per cent in the dairy output of New Zealand and as the early part of the present season was unfavourable, production may be again reduced. The 1938-39 guaranteed prices for butter and cheese are 14.89d. per pound and 8.42d. per pound, respectively, an increase of 1.23d. per pound for butter and 0.67d. per pound for cheese as compared with the 1937-38 prices. A considerable number of small cheese factories were closed in New Zealand last year as the guaranteed price for butter offered better possibilities for profit than the price for cheese.

Feed conditions in Denmark are promising and if conditions continue favourable, an increase in dairy production may be expected during 1939. The dairy industry of Sweden has experienced a period of intense quality improvement in recent years and the prospects are that the output of butter will continue to expand. The Baltic countries showed a 20 per cent increase in butter production during the past year. While the rapid expansion in butter production in the Netherlands which has taken place over the last five years appears to be checked, production of both cheese and concentrated milk products is steadily increasing.

In the United Kingdom, both butter and cheese prices in 1938 were higher than in 1937. Apart from any recurring political crises, the United Kingdom market does not show any definite indication of change in prices other than seasonal variations.

FRUIT

The general trend of apple production in Canada has been upward since 1926. The 1938 crop was slightly larger than that of 1937. The 1938 crop was 15.3 per cent above the five-year (1932-36) average. Shipments of barrelled apples to November 1, 1938, were 32 per cent higher than shipments to the same date in 1937 while shipments of boxed apples showed an increase of 51 per cent for the same period. Prices opened somewhat higher on the United Kingdom markets in the early fall of 1938. After weakening during September, the market strengthened and prospects for the balance of the season appear favourable.

Peach production increased by 9.2 per cent for all Canada in 1938. Growers received somewhat lower prices for the 1938 crop, particularly in British Columbia. Pear production amounted to 524,600 bushels in 1938 compared with 457,700 bushels in the previous year. Exports were also increased, amounting to 95,000 bushels up to the end of October, 1938, compared with 58,000 bushels for the same period of 1937. Plum and prune production increased by 4.1 per cent in 1938 to 207,600 bushels.

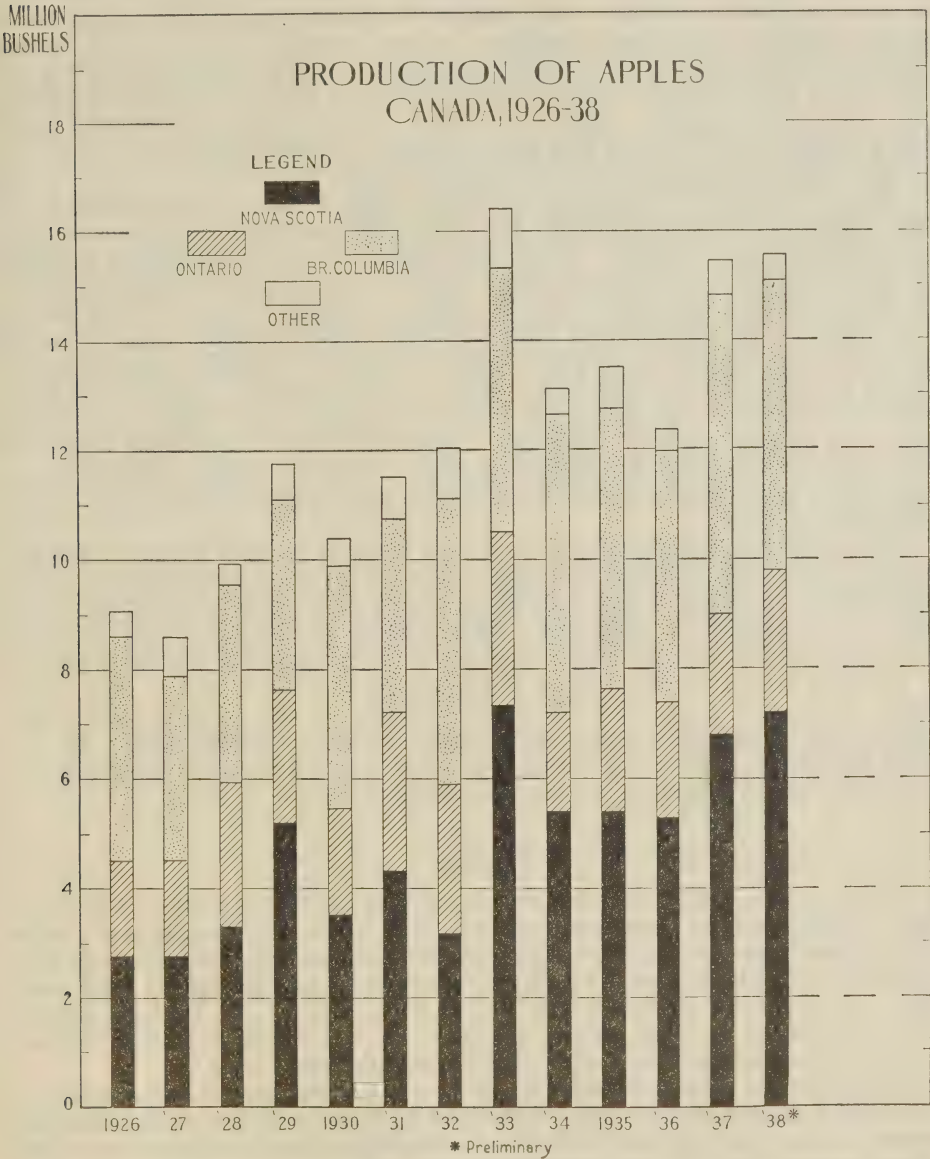
The 1938 grape crop was only 56 per cent of that of the previous year, the reduction being confined to Ontario. Prices were somewhat above those of 1937 in Ontario, but lower in British Columbia. Cherry production was higher in 1938 in both Ontario and British Columbia but still below the average of the previous five years. Prices in 1938 were below those received for the short crop of 1937. Apricot production in British Columbia was 11.9 per cent higher in 1938 and 30.8 per cent above the five-year (1932-36) average. Prices to growers were 50 per cent less than in 1937. Strawberry production was somewhat smaller in 1938, an increase in British Columbia being more than offset by reduced yields in Ontario and Quebec. The 1938 raspberry crop was 10.3 per cent above that of 1937 with the increase being common to all provinces except Nova Scotia.

Apples

The number of bearing apple trees in Canada, shown by census enumerations, declined gradually from 11 million in 1901 to 8.3 million in 1931. Annual estimates since that date indicate that the number declined further to approximately 7.5 million trees in 1935 and has since remained close to that level. New plantings have been particularly heavy since 1934, probably as the result of the heavy winter killing of trees in the winter of 1933-34. While production fluctuates rather violently from year to year because of weather conditions, the general trend has been upward despite the reduced number of bearing trees. This would indicate that production per tree is being increased by better cultural and management practices. There has also been an increase in the percentage of "commercial" orchards. The upward trend in production is most noticeable in Nova Scotia and to a lesser extent in British Columbia. Orchards in Ontario and Quebec suffered most from the winter killing of 1933-34 and have not yet fully recovered from that loss.

The Canadian apple crop for 1938 estimated at 5.2 million barrels was slightly higher than that of 1937, and 15.3 per cent above the five-year (1932-36) average.

Nova Scotia's crop of 2.4 million barrels was the second largest in the history of the province and 6.7 per cent greater than that of 1937. The quality of the fruit and freedom from insect or other damage has resulted in an exceptionally high percentage of the crop being packed within the market



grades. In New Brunswick, growing conditions were favourable to the production of a crop of excellent quality. Production in Quebec, estimated at 127,000 barrels, was approximately 28 per cent less than in 1937. Production in Ontario, estimated at 796,800 barrels, was 6.9 per cent greater than that of 1937. The increase was confined to the eastern part of the province, production in western Ontario being somewhat lower than in 1937. The spy variety was an exception and throughout the whole province produced larger

yields than in the previous year. All districts are making replacement plantings and some new plantations have been set out. New plantings are progressing favourably and their influence should soon be reflected in increased production. The fruit was of good size and colour and was harvested earlier than usual under most favourable conditions. Commercial orchards generally are now in good condition with bud development apparently satisfactory. Should weather and other condition factors remain favourable, the crop outlook for 1939 may be considered promising. While the preliminary estimate of 5.4 million boxes represented a decrease in the 1938 British Columbia crop, this may be partly offset by the fact that all varieties attained more than average size. Planting has been confined to replacements, the favoured varieties being Winesap, Newtown and McIntosh.

Prices received by producers for apples from year to year depend to a large extent on total production, but are influenced also by domestic and export demand for the crop. While there may be some competition between the main producing provinces of Nova Scotia, Ontario and British Columbia, the fruit produced generally sells in different markets. While from 70 to 80 per cent of the Nova Scotia crop is usually exported, only from 10 to 20 per cent of the Ontario crop goes abroad. British Columbia exports usually account for 40 to 50 per cent of the crop of that province. British Columbia apples are, however, generally of dessert varieties, while the Nova Scotia apples are largely cooking varieties. The general trend of apple prices to producers was downward from 1926 to 1932. Since that time, average prices have shown some improvement, but are still only about 75 per cent of the pre-depression level.

Shipments of Canadian apples to foreign markets in 1937 totalled 2,214,000 barrels as compared with the five-year (1933-37) average of 2,309,000 barrels. Shipments of barrelled apples to United Kingdom markets were 32 per cent greater at November 1, 1938, than shipments up to the same date in 1937, while boxed apples also showed an increase of 51 per cent for the same period.

Opening prices on the United Kingdom markets were higher than early season prices last year. Due in large measure to the international crisis, coupled with increased supplies, the market weakened considerably. As the season advanced, however, a stronger demand was evident and prospects for the balance of the season appear very favourable.

Peaches

Numbers of bearing peach trees declined from 994,000 in 1921 to 651,000 in 1931, according to the census reports for those years. Estimates made since 1931 indicate that the number of bearing trees has been increasing and is now approaching the 1921 level. Plantings have continued in Ontario and total acreage, estimated at approximately 15,110 acres, includes an increase of over 600 acres planted in 1938. These increases are not confined to the Niagara district but also include the Norfolk, Essex and Middlesex areas.

Production of peaches in 1938 amounting to 721,800 bushels represented an increase of 8.5 per cent over that of 1937, and 14.6 above the five-year (1932-36) average. The crop in British Columbia, estimated at 154,000 bushels was 10.9 per cent greater than that of the previous year, while the Ontario crop of 567,800 bushels showed an increase of 8.0 per cent. In addition to movement to domestic markets, small trial shipments were exported to England with fairly good results. Despite fairly heavy production, and the fact that processors accepted very few "V" varieties, the fresh fruit market returns per package to growers were only slightly below 1937 figures. Plantings entered the winter with the bud-show very promising. The British Columbia crop moved out steadily at prices about 60 per cent of those of the previous year.

Fluctuations in prices of peaches from year to year are largely the result of change in production. The larger crop in 1938 resulted in somewhat lower prices to producers. Any improvement in domestic demand in 1939 should tend to strengthen prices for peaches.

Pears

After remaining fairly constant around 450,000 bushels, pear production increased to 512,000 bushels in 1938, reflecting heavier plantings of pear trees during recent years.

Planting in Nova Scotia is steadily increasing, showing approximately 10 per cent more acreage than in 1937. Production was estimated at 27,000 bushels. Of this, 32 per cent was exported, 56 per cent processed and 12 per cent sold locally. In Ontario, tree plantings again showed an increase, particularly Kieffers and Bartletts. Due largely to good sizing of fruit, the 1938 crop of 210,300 bushels was 13.4 per cent greater than that of 1937 and was of excellent quality. Prices to producers for both Bartletts and Kieffers sold for processing were considerably lower. Trees came through the past winter well and conditions throughout the growing season have been excellent with promise of good fruit spur development. Production in British Columbia, estimated at 287,000 bushels, represented a 13 per cent increase over 1937, Bartlett and Anjou being mainly responsible. Fruit was of good size and quality.

Imports of pears in 1938, at 17.5 million pounds, were sharply lower than in 1937 although still above the five-year (1932-36) average. Export movement of pears shows considerable increase over the previous year, about 95,000 bushels of the 1938 crop having been shipped up to the end of October as compared with a total of 58,000 bushels during the entire 1937-38 season. Exports from Ontario were the largest for some years and totalled 50 carloads, mostly of Kieffer and Bartlett varieties. British Columbia exported approximately 107 carloads, mainly of the varieties Flemish, Beauty and Anjou.

Plums and Prunes

The 1938 plum and prune production amounted to approximately 207,600 bushels, an increase of 4.1 per cent over that of 1937. Of this amount, 66 per cent was produced in British Columbia, 28 per cent in Ontario and the balance in Nova Scotia. While prices to growers were slightly lower than in 1937, the heavy export movement for the first time since 1935 relieved the pressure on the domestic market. Sixty-eight carloads went to the United Kingdom, comprising the following varieties: Damson, Grand Duke, Reine Claude, Prunes, Shiro and others. A trial export shipment of a car of peach plums was made to Great Britain with fairly satisfactory results. The season has been favourable for good tree development and orchards went into the winter with good bud-show in evidence.

Grapes

Production of grapes in Canada in 1938 amounting to 30 million pounds showed a sharp reduction from the 1937 crop. The decline was confined entirely to Ontario where the estimated crop of 28.1 million pounds was only 54 per cent of the 1937 crop and 68 per cent of the five-year (1932-36) average. Production in British Columbia increased slightly from 2.38 million pounds in 1937 to 2.4 million pounds in 1938.

The grape acreage in Ontario, estimated at 14,200 acres represents a reduction of about 500 acres due largely to the loss of vines as a result of freezing and drought conditions in recent years. Some vines had not fully recovered from previous adverse conditions and this, combined with only a general two-bunch set, resulted in an estimated yield of 14,040 tons compared with 26,000

tons in 1937. Quality, however, was excellent. Because of this fact and the reduced yield, the entire crop moved to fresh and processing markets at somewhat better prices than in previous years. With the exception of some vineyards injured by grape leafhopper most vines went into the winter in much better condition than for some seasons past.

The season in British Columbia was favourable to production, and the crop was of excellent quality. Prices were below average and wineries had ample supplies for their purpose.

Cherries

Production of cherries, estimated at 187,600 bushels in 1938, represented an increase of 22.6 per cent over the small crop harvested in 1937 but was only 84.7 per cent of the 1932-36 average. Ontario production in 1938 at 128,000 bushels was 25.5 per cent above that of 1937, while British Columbia production at 60,000 bushels was 17.6 per cent above that of the previous year.

Some increase in plantings in Ontario has been offset by mortality of trees weakened by adverse conditions in previous seasons and acreage remains about the same. A good demand for both sour and sweets developed from processors and increased purchases by wineries were also in evidence. The domestic market for fresh cherries was firm, resulting in fairly satisfactory prices to growers. Trees went into the winter in normal condition with good fruit-bud showing.

Increased plantings of cherry trees in British Columbia since 1934 is expected to be reflected in production in a few years. While the set in British Columbia coast regions was poor, the crop in the interior districts was approximately 35 per cent greater than in 1937. Trial shipments of Bings and Lamberts were made to the United Kingdom and favourable reports were received. Shipments were continued to Eastern Canadian points. Movement to processing plants increased over 100 per cent and represented nearly 40 per cent of the current year's production. Prices in common with other stone fruits were unusually low, being at least 30 per cent lower than in the previous year.

Prices received by producers for cherries vary chiefly with the size of the crop, but are also dependent on demand conditions within Canada. The level of prices dropped sharply from 1929 to 1932, but has been recovering since that date and the short crop of 1937 sold at the most satisfactory price to producers since 1929. Prices, however, were again lower in 1938.

Apricots

The production of apricots in Canada is confined entirely to British Columbia. The 1938 crop of 59,000 bushels was 11.3 per cent above the 1937 production and 31.1 per cent above the five-year (1932-36) average.

After the first week of the shipping season, movement was slow and difficulty was encountered in disposing of the crop prior to the rapid ripening of the fruit. The cannery pack in the interior was small, but fairly heavy shipments of Royals and Blenheims were made to coast plants. Prices to the grower were exceptionally low, being less than half those obtained in 1937.

Strawberries

Strawberry production in 1938, estimated at 22.6 million quarts for all Canada, was 4.1 per cent below the 1937 crop but 1.5 per cent above the five-year (1932-36) average. Production in British Columbia was 22 per cent greater than in 1937, amounting to 7.4 million quarts. The Ontario crop of 6.4 million quarts was 7 per cent below that of 1937, while Quebec production amounting to 6.2 million quarts was 22 per cent less than in 1937. In the

Maritime Provinces, production was 2.6 million quarts as compared with 2.7 million quarts in 1937.

Imports of strawberries for the year ended March 31, 1938, amounted to 5.6 million pounds compared with 4.6 million pounds during the previous 12 months and the five-year (1932-36) average of 5.0 million pounds. Exports, chiefly to the United States, totalled 1.6 million pounds for the 12 months ended March 31, 1938, an increase of 56.1 per cent over the previous year, and 87.2 per cent above the 1932-36 average.

In Nova Scotia and New Brunswick plantings show increases of about 10 per cent in acreage. Acreage in Ontario remains approximately the same. In British Columbia, there has been an increase in the production of ever-bearing and late berries. There is a growing outlet for cold-pack berries both on the domestic and export markets. Growers are making use of improved varieties with superior keeping and shipping qualities and this factor will have an influence on the marketing of future crops.

Raspberries

The yield of raspberries in 1938 was above that of 1937 in all producing provinces, except Nova Scotia. The total production of 9.5 million quarts in 1938 was 10.3 per cent above that of 1937, and 42.6 per cent above the 1932-36 average. There is a trend toward the planting of new and improved varieties of better keeping and shipping quality. Exports of raspberries in 1937-38 increased by 39 per cent over 1936-37 and were more than double the five-year (1932-36) average.

Quebec produced a crop of 2.8 million quarts of good quality raspberries in 1938. The Ontario acreage remains practically unchanged at slightly over 1,600 acres. Plantations, however, are now in better condition than formerly. Production in 1938 reached an estimated total of nearly 4.4 million quarts, an increase over the previous year of about 8 per cent. A substantial part of the crop was purchased by processors at prices slightly higher than those of 1937, but because the fresh fruit market returns were slightly less than those of the previous year, the average prices secured by growers remained practically the same.

In British Columbia, the estimated crop of 2.2 million quarts showed a ten per cent increase over the 1937 crop due mainly to mild winter conditions. The crop, generally, was of good quality. Shipments in 1938 amounted to approximately 65 carloads as compared with 42 carloads in 1937.

Processed Fruits

While no definite figures are available, the pack of fruits for 1938 will probably be less than that of 1937 due to the heavy carry-over. Stocks of canned fruits on hand at October 1, 1938, were estimated at 1.5 million cases.

Production and Prices.—The total pack of canned fruits for 1937 was 1.8 million cases compared with 1.2 million cases for 1936, the chief increase for 1937 being in apples, apricots, blueberries, raspberries, strawberries and plums.

For the most part, prices which growers received for fruits for canning were lower in 1938 and 1937 than in 1936. Exceptions were cherries and strawberries which commanded slightly higher prices in 1938. Cherries increased from 4.75 cents per pound in 1936 to 5.3 cents in 1938; and strawberries from 5.4 cents in 1936 to 6.2 cents in 1937, dropping to 5.5 cents in 1938. Raspberries decreased from 8.4 cents per pound in 1936, to 8.15 cents per pound in 1937 and 6.4 cents per pound in 1938. Peaches decreased from \$68.30 per ton in 1936 to \$59.10 per ton in 1937 and \$46.50 per ton in 1938. Pears decreased

from \$49.40 per ton in 1936 to \$46.60 in 1937 and \$33.50 in 1938. Plums decreased from \$44.50 per ton in 1936 to \$33 in 1937 and \$20 in 1938. Prices for strawberries and raspberries for jam purposes have shown practically no fluctuations for the past three years.

Frozen Fruits.—This means of processing is now well established, with several factories operating in Canada. The products find ready sale to the hotel and restaurant trade. However, some attempt will be made in 1939 to suitably equip retail stores for the handling of frozen fruits. In 1937, there was approximately 436,000 pounds frozen in consumer packages, but figures available show only 270,000 pounds in 1938. The pack of frozen fruits for remanufacturing purposes in 1938 was 9.9 million pounds. Blueberries were frozen in considerable quantities and shipped in carloads, principally to the United States. Total shipments in the six months, April to September 1938, amounted to 601,000 pounds, valued at \$40,130.

Exports.—Ninety per cent of the total exports of processed fruit goes to Great Britain. Apples, pears, peaches and loganberries are the principal kinds shipped. Exports of canned apples have steadily increased from 176,200 cases in 1936 to 229,300 cases in 1937, and 172,400 cases for the first nine months of 1938, with heavy shipments to follow for the balance of the shipping season. Exports of canned pears totalled 204,400 cases in 1937 and 168,000 cases for the first nine months of 1938. The total exports of canned fruits for 1937 were 605,000 cases and for the first nine months of 1938, 952,400 cases, the principal increase being in canned apples from 230,000 cases in 1937, to 359,100 cases for the first nine months of 1938. For the same period, peaches increased from 49,700 cases to 82,500 and pears from 209,800 to 365,200 cases.

Imports.—Imports of canned fruits into Canada come chiefly from Australia. During the first eight months of 1938, imports of apricots from that country amounted to 7,185 cases compared with 6,882 cases for the same period of 1937. Imports of peaches dropped from 45,929 cases in the first eight months of 1937 to 23,956 cases for the same period of 1938. Imports of pears were also lower at 2,282 cases in the first eight months of 1938 compared with 2,996 cases in the same period of 1937. During the year 1936-37, Australia shipped 25 million pounds of canned pears to the United Kingdom market as compared with 7 million pounds shipped from Canada.

Evaporated Apples.—The bulk of the evaporated apple pack is in Nova Scotia and British Columbia, very little having been packed in Ontario during the last five years. Ninety per cent of this product is exported, 44,394 cases having been shipped in 1937 as compared with 27,796 cases in 1936. A smaller pack is indicated for the 1938 season.

POTATOES

The 1938 potato crop of 59.6 million bushels was the lowest recorded since 1910. The small crop resulted chiefly from the low yields per acre harvested in all provinces except Prince Edward Island and Saskatchewan. Acreage in 1938 at 522,000 acres was only slightly below that of 1937. Prices being received by growers in the fall of 1938 were considerably above those of the previous fall. It is expected that more favourable returns from the 1938 crop will result in an increase in acreage for 1939. A normal yield on an acreage much larger than that of 1938 would produce a crop sufficiently large to make marketing difficulties a likely occurrence in the fall of 1939. The acreage entered for seed certification was increased by more than 8,000 acres in 1938, but the increase was offset by the reduced yield and the low percentage of acreage passing inspection. The United States potato crop in 1938 was 6 per cent below that of 1937. Concessions secured under the new Canada-United States Trade Agreement may result in an increased movement to that country in the next few years. Export movement of potatoes will be lower in 1938-39 as a result of the short crop in Canada. Some shipments of table stock have been made to the British West Indies and Hong Kong. Exports of seed potatoes to South America are expected to total about 250,000 bushels compared with over one million bushels in 1937.

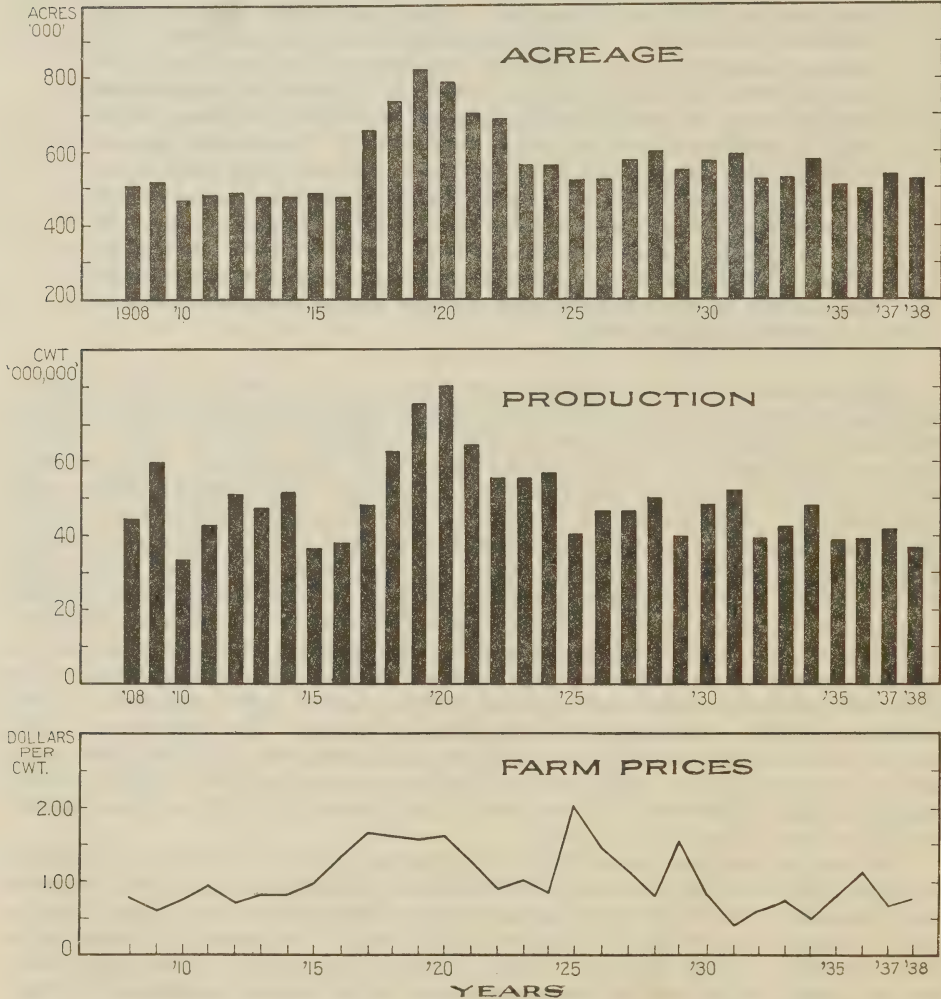
Production.—The 1938 Canadian potato crop is estimated at 59.6 million bushels, the lowest yield since 1910 and 16 per cent below that of 1937. Plantings declined from 531,200 acres in 1937 to 522,000 acres in 1938, but the decrease in production is accounted for largely by the generally lower average yields which prevailed in all provinces, except Prince Edward Island and Saskatchewan. The yield per acre in Prince Edward Island was slightly higher and this offsets a reduction in acreage so that production was somewhat larger than in 1937. In Saskatchewan, the crop was more than double the low production in 1937. Aggregate production in the Maritime Provinces was 1.8 million bushels below that of 1937, while production in Ontario and Quebec showed a decline of 5.3 million bushels. The increase in Saskatchewan has offset minor declines in the other two Prairie Provinces and total production for the three provinces is about one million bushels higher than last year. British Columbia records a decrease of about 500,000 bushels. The increase of 1,933 acres of certified seed in 1938 was offset by a reduced crop. United States production was estimated at 368.2 million bushels as compared with 393.3 million bushels in 1937, a decrease of 6 per cent. The Maine crop of 41 million bushels was 16 per cent below that of 1937.

During the ten-year period 1928-37, the area planted to potatoes in Canada averaged 546,100 acres. Acreage has remained relatively uniform, and year-to-year fluctuations from the average have been chiefly the result of variation in prices received by growers for the preceding crop. Comparatively large crops were harvested in 1928, 1931 and 1934. Returns to growers in these years were low, and sharp reductions in acreage occurred in the years immediately following, but when prices became more favourable, acreages again increased. With comparatively favourable prices being received for the 1938 crop, it is likely that acreage will be increased in 1939. A normal yield on an acreage much larger than that of 1938 would produce a crop sufficiently large to make marketing difficulties a likely occurrence in the fall of 1939.

Table Potatoes

Markets and Prices.—A study of the seasonal movement of potato prices from October to the following May over a period of years reveals that price changes during these months depend chiefly on the size of the crop. When total production is less than 65 million bushels, prices rise until January, tend to decline somewhat in February and March, and then rise again in April and May. In years when the crop exceeds 65 million bushels, there are very few

POTATOES—ACREAGE, PRODUCTION AND FARM PRICES 1908 TO DATE



price changes from October to May. It appears that prices, in years of large crops, are discounted almost entirely in the fall of the year. While short crops open at a higher price in the fall, the shortage is not fully appreciated at that time, but prices continue to rise throughout the fall and early winter.

The trend of the market during the fall months of 1938 indicates that returns to the producer will be considerably higher than those of the previous year. The reduced yield was reflected in higher prices early in the fall and prices have continued to advance. Both domestic and export shipments, however, are below those of a year ago and as a result, storage holdings are higher. Returns to producers to the end of November averaged 47 cents per bushel in Prince Edward Island and 34 cents in New Brunswick, as compared with 22·5 cents and 18 cents, respectively, in 1937. The reduced yields in Ontario and Quebec, together with the questionable quality of potatoes in many areas due to disease and injury, will no doubt provide a ready outlet for Maritime potatoes in the central provinces. There is a steady annual movement of table stock from Eastern Canada to the British West Indies. The chief competitor in these markets is the Netherlands and to a lesser extent, the United Kingdom and the United States. The volume of shipments is largely determined by price conditions. Shipments from the 1938 crop to the British West Indies and Bermuda totalled 100,900 bushels up to the end of November as compared with 137,300 bushels in the same period in 1937. Since the outbreak of hostilities in China an outlet for Canadian potatoes has been established in Hong Kong, a market normally supplied largely by Japan. Exports from the 1938 crop to Hong Kong up to the end of November totalled 23,450 bushels as compared with 18,890 bushels to the same date in 1937. The new Canada-United States Trade Agreement, which becomes operative January 1, provides for a reduced tariff on imports into the United States. During the period March 1 to November 30 the rate will be 37½ cents per 100 pounds, and from December 1 to the last day of the following February, the rate will be 60 cents per 100 pounds as compared with the previous rate of 75 cents which was applicable all year. Imports from Canada, however, for any twelve-month period beginning September 15 may not exceed one million bushels at the reduced rates, except when the September 1 estimate of United States production is less than 350 million bushels, in which case imports may be increased by the difference between the estimate and 350 million bushels. The concession granted Canada may be expected to result in a larger movement of table potatoes, but the quantity shipped in any one year will be dependent upon the relative crop and market conditions in the two countries. In view of the short crop, and the probability that domestic requirements will absorb all supplies at remunerative prices, it is unlikely that the export markets will attract many Canadian table stock potatoes from the 1938 crop. The total imports into Canada during the last two years averaged 260,000 bushels.

Seed Potatoes

Markets and Prices.—Disposal of the 1937 crop of certified seed potatoes was completed by May, 1938, and a record total of 2·5 million bushels was sold. The previous record was attained in 1930 when 2·4 million bushels were sold. Sales to Argentina, a comparatively new market in 1937, accounted for over one million bushels that year, but due to a surplus crop in that country in 1938, probably not more than 250,000 bushels will be required in 1938-39. Sales to the United States may be expected to show an increase of about 750,000 bushels from the 1938 crop, as a result of the recent trade agreement with that country which provides a substantial reduction in tariff and an increase in the quota for seed. Special efforts are being made to develop trade with other countries but no material increase in this direction is anticipated this year. Domestic requirements for seed should be larger as a result of the short commercial crop plus co-operative efforts to encourage the planting of improved seed, but the total domestic seed movement from the 1938 crop will probably fall somewhat short of shipments from the 1937 crop. An increase of more than 8,000 acres in entries for seed potato certification was offset by a

reduced crop and a low percentage passing inspection. Disease and unfavourable seasonal conditions took more than an average toll in 1938. However, the acreage passing inspection was 27,644 acres as compared with 25,711 acres in 1937. Seed prices, generally, are expected to continue firm and may go higher by spring. A small increase in total acreage of certified seed is expected in 1939.

Onions

The commercial production of onions in Canada occurs principally in Ontario, Quebec, and British Columbia. The area in Ontario in 1938 was 2,655 acres, representing a 10 per cent increase over 1937 plantings. Estimated production was 15,900 tons, an increase of 35 per cent over the 1937 yield. Despite very favourable growing conditions up to harvesting of the main crop, excessive moisture followed by hot humid weather caused considerable decay. This necessitated very careful grading and screening of stock intended for storage purposes. The Quebec crop, while about 15 per cent less than the 1937 crop, is of good quality. As a result, demand has been good and supplies were more than half sold at the end of October. Although plantings in British Columbia increased 39 per cent from 994 acres in 1937 to 1,386 acres in 1938, production is but 17 per cent in excess of the previous year, being estimated at 10,733 tons as compared with 9,207 tons in 1937. Poor germination and insect damage contributed to the reduced yield. Weather conditions, both during the growing and harvesting seasons, were favourable and quality of the crop is good.

As a result of the condition of the Ontario crop a large tonnage was moved for immediate consumption, and despite the increased production, storage holdings at December 1, 1938, amounted to only 6,700 tons as compared with 1,700 tons at the same date in 1937. In British Columbia, supplies on hand at December 1 were 2,430 tons as compared with 664 tons at the same date in 1937.

Markets.—The large production in Ontario, together with unsatisfactory quality, has resulted in average fall prices of approximately \$22 per ton as compared with \$40 per ton for the entire 1937 crop marketing season. The market may improve and firmer prices prevail if stocks come out of storage in good condition. The movement of the British Columbia crop has been satisfactory, with 2,036 tons going to New Zealand to December 1, as compared with 2,032 tons last year. Up to the end of November, exports from Ontario of the 1938 crop totalled 364 tons as compared with 100 tons in 1937. Most of these shipments went to the British West Indies. Some losses have been reported at destination, however, due to condition. Total holdings in Canada at December 1, 1938, were 13,200 tons as compared with 5,800 tons at the same date in 1937. The future trend of the market will depend on the keeping quality of stock now in storage.

Table Turnips

The production of marketable table turnips in Ontario is expected to be slightly less than that of 1937. Generally, the quality of the crop is good, although seasonal conditions were conducive to large sizes in some areas. Despite warm weather during the fall marketing period, demand was fairly good, although returns to the producer have been somewhat less than during the fall shipping period of 1937. There is an increasing demand for completely waxed turnips and several new waxing plants were established during 1938. Of the total export movement in 1937, 31 per cent were waxed. On the basis of the fall movement, it may be expected that the previous year's total export will be equalled or surpassed, provided that demand is maintained during the winter.

There is a heavy crop of excellent quality turnips in Prince Edward Island and shipping commenced early in August. The movement up to the end of November was slow but steady with returns to producers about 12 cents per

bushel as compared with 15 cents per bushel in the previous year. A number of new waxing plants were in operation in 1938 and it is expected that an increasingly large proportion of export shipments will be waxed in future. Waxed turnips represented 6 per cent of the total export shipments in 1937-38.

Demand for waxed turnips is increasing in the smaller towns of the United States where the turnover is small and good keeping quality is essential. The larger cities, however, where the turnover is rapid, do not show such a marked preference, except towards the latter part of the shipping season.

Frozen Vegetables

Production.—The pack of frozen vegetables increased from 126,000 pounds in 1937 to 590,000 pounds in 1938, the principal increase being in peas and corn on cob. New factories were opened in British Columbia and in Ontario, and efforts will be made to establish freezing units in retail stores during 1939. At the present time the bulk of this product is sold to the hotel and restaurant trade.

Canned Vegetables

Production.—The 1938 pack of canned vegetables was below that of 1937, when the output was 9.3 million cases. The main decreases occurred in the pack of tomatoes and tomato juice. Stocks on hand at July 1, 1938, were 5.3 million cases compared with 3.5 million cases at July 1, 1937. Indications are that the pack for 1939 will be curtailed considerably. Consequently the contracted acreage will be limited. Cannery report that the prices to wholesalers are the lowest in twenty years.

Markets and Prices.—Average packer-to-wholesaler prices for the main vegetable products were lower than in 1937. Quotations per dozen cans were 91 cents on peas as compared with 96 cents in 1937, 87 cents on corn as compared with 97 cents, and 93 cents on tomatoes as compared with \$1.10. Returns to the producer show but slight changes as compared with 1937. The average price paid to the farmer for asparagus was 7.5 cents as compared with 8.95 cents; peas 2.5 cents as compared with 2.37 cents; and beans 2.5 cents as compared with 2.29 cents; corn brought \$10.50 per ton as compared with \$10.30 per ton; and tomatoes \$10.50 per ton as compared with \$11.70 per ton in 1937.

Exports.—Exports of canned vegetables show an increase in 1938 over 1937. Total exports for the first nine months of 1938 were 2,518,000 cases as compared with 2,588,000 cases in the full year of 1937. Principal increases were in tomato paste, pulp and puree, being 350,000 cases for the first nine months of 1938 as compared with 174,000 cases for all 1937. Exports of tomato soup were 964,000 cases in the first nine months of 1938 compared with 813,000 cases for all 1937. The exports of canned tomatoes have fallen off considerably, total exports for 1937 being 647,649 cases and to the end of November 1938, 531,378 cases. Over 80 per cent of canned vegetable exports go to Great Britain. In 1937, there were larger shipments of canned tomatoes to Great Britain than in any previous year and much of this stock remains on hand. Consequently buyers have hesitated to make large commitments. Over one million cases of Italian tomatoes were imported into the United Kingdom in 1937 and large stocks of these are still on hand. During the first ten months of 1938, the arrivals of canned tomatoes in the United Kingdom totalled 664,000 cases as compared with 851,000 cases during the corresponding period of 1937. The chief sources of supply were Italy, Spain, and Canada.

HONEY

The honey crop of Canada for 1938 was the largest on record. Good crops were also reported in countries that are competitors of Canada on world markets. The capacity for production is steadily increasing in Canada and apparently the same is true in many other producing countries. Supplies of honey appear to be very plentiful both at home and abroad with the result that both domestic and export prices of honey have been forced down to very low levels. A slight increase in the amount of honey exported was shown during the crop year ended July 31, 1938. Exports to Great Britain, the chief export outlet for Canadian honey, far exceed those from any other country competing in this market. The decline in the pound sterling in terms of the Canadian dollar at Montreal has adversely affected prices received for Canadian honey in the United Kingdom market.

Production.—The average honey crop of Canada for the five-year period 1933-37 was 24.3 million pounds. The crop of 1937 amounting to 21.7 million pounds was the lowest since 1932, being 6.5 million pounds less than that of 1936 and 2.6 million pounds less than the five-year average. A preliminary estimate places the 1938 crop at approximately 34 million pounds, which exceeds the five-year average by 9.7 million pounds, and the previous record crop of 1931 by 4 million pounds.

Winter losses of bees, widespread winter killing of the major nectar-secreting plants and drought conditions during the summer months were responsible for the low average of the 1933-37 period. Weather conditions during the fall of 1937 and throughout the 1938 season were favourable for the growth of nectar-secreting plants, and although summer weather was not ideal for the secretion and in gathering of nectar, most of the provinces showed an increase in production over the previous year. Production data for other countries are difficult to secure but available information indicates that in the United States the crop of 1938 exceeded that of 1937, while in New Zealand, Australia and Jamaica the crops of 1937-38 appear to have been good. On the other hand, the 1938 crop in England was considerably below average. While it is impossible to state the amount of honey available, indications are that the world supply is plentiful.

The average number of colonies in Canada for the four-year period 1933-36 was estimated at 348,500 while the estimated number of 1937 was 391,350, the highest for the past five years.

Package bees to the value of \$190,250 were imported into Canada during 1938 as compared with imports valued at \$193,312 in 1937. Package bees are largely used for replacements. Therefore these figures are of little significance so far as expansion of the industry is concerned.

Markets and Prices.—The domestic market is the most important as it has absorbed approximately 90 per cent of the total production during the past five years. Because of the short crop in 1937, this market was practically bare of honey before the new crop of 1938 was harvested. Since the appearance of the new crop, however, supplies are plentiful. Prices took an upward turn late in 1937 and remained firm until August, 1938, when the prospects for an exceptionally good crop caused a decline. During the autumn of 1938, prices were from one to two cents per pound lower than for the same period in 1937.

Exports of honey from Canada during the crop year ended July 31, 1938, amounted to 2.8 million pounds as compared with 2.7 million pounds for the previous crop year. Of the total exports, 2.4 million pounds went to the

United Kingdom in 1936-37 and 2·2 million pounds in 1937-38. The renewal of exports to Germany accounted for the slight increase. The most important export market for Canadian honey is that of the United Kingdom which absorbs approximately 85 per cent of the total. In addition to the domestic crop, imports of honey into the United Kingdom for the past five years have averaged 8·3 million pounds. These imports are obtained from more than 45 countries and this market is, therefore, keenly competitive. In spite of this, however, Canada during the past five years has supplied approximately 24 per cent of the total. Prices for Canadian honey in Great Britain in the fall of 1938 ranged from 37s to 40s per 112 pounds as compared with 50s to 57s for the same period in 1937 and 42s for the same period in 1936. The decline of the pound sterling in terms of the Canadian dollar at Montreal has adversely affected prices received for Canadian honey in the United Kingdom market.

MAPLE PRODUCTS

Weather conditions were unsuitable at the beginning of the maple season but improved definitely after about ten days. As a result, production in Northern Ontario, Quebec and the Maritime Provinces was almost double that of the previous year and the crop was of exceptionally good quality. Prices showed some reduction as compared with the 1937 and 1936 figures, but the total value \$3.85 million represents the greatest return for these products in a number of years. Exports since the first of April indicate that the 1938-39 exporting season will be one of the best in the last decade. Supplies are being cleared out steadily and there is little likelihood of a carry-over. A late September gale in the principal producing sections in Quebec did considerable damage with the loss in trees estimated at 15 per cent. During the summer and early fall of 1938, there was plenty of rain but less than normal sunshine, which would point to a good flow of sap in 1939.

The 1938 maple crop was double the short crop of 1937 and equal to the record crop of 1929. The product was of excellent quality. At the commencement of the season, weather conditions were not conducive to a good flow of sap, the temperature remaining well above freezing for about ten days. However, severe frosts for several successive nights brought about a great improvement in Quebec, the Maritime Provinces and Northern Ontario. During the next two weeks the flow of sap was extremely heavy and the high proportion of sugar resulted in a splendid crop. Expressed in pounds of sugar, the crop is estimated at 33.0 million pounds as compared with the 1937 crop of 16.7 million pounds and the 1936 crop of 29.5 million pounds.

Production of maple syrup advanced from 1.2 million gallons in 1937 to 2.9 million gallons, while the production of sugar dropped from 4.4 million pounds to 3.4 million pounds. Of the 1938 crop, 90 per cent was held as syrup as compared with 74 per cent in 1937 and 69 per cent in 1936. Quebec produced 81.0 per cent of the total crop; Ontario 17.5 per cent and the Maritime Provinces the remainder. The average price of maple syrup was \$1.18 per gallon as compared with \$1.40 in 1937 and \$1.31 in 1936. The average price of maple sugar was 10 cents per pound as compared with 12 cents in 1937 and 11 cents in 1936.

Exports of maple products, expressed in pounds of sugar, amounted to 4,289,000 pounds for the fiscal year 1937-38 as compared with 6,172,000 pounds the year previous and the five-year (1933-37) average of 4,486,000 pounds. For the six-month period, April to September, 1938, exports amounted to 5,903,000 pounds as compared with 2,745,000 pounds for the corresponding period in 1937 and 3,555,000 pounds in 1936. Practically all exports go to the United States. Under the new Canada-United States trade agreement, the duty on syrup entering the United States has been reduced from 3 cents to 2 cents per pound and on sugar from 6 cents to 3 cents per pound.

Reports from Quebec indicate that the crop is being cleared up steadily and that with the advent of the 1939 season, there will be practically no stocks of syrup or sugar on hand.

A late September gale in the counties south of the St. Lawrence river did considerable damage to the maple groves in that area of Quebec. Reports show that losses of trees were as high as 50 per cent in some cases but on the average, damage amounted to 15 per cent. During the summer and early fall of 1938, there was plenty of rain, but a less than normal amount of sunshine, which would point to a good flow of sap in 1939, although possibly somewhat deficient in sugar content. This will mean longer boiling with a consequent lowering of quality.

TOBACCO

Tobacco production of approximately 96 million pounds in 1938 was the largest crop ever produced in Canada. The increased production was common to all types excepting the small pipe tobacco of Quebec. By far the greater proportion of the crop was of the flue-cured type, the production of which was estimated at 73.8 million pounds. This was chiefly the result of increased acreage, especially of the flue-cured type, in both Ontario and Quebec. The growth in the consumption of manufactured tobacco products has been most marked in the case of cigarettes and it is anticipated that this trend will continue. Stocks of flue-cured rose following the large 1937 crop and will be increased further by the 1938 crop unless there is a considerable advance in flue-cured exports in 1939. Burley stocks were reduced during the year, while there was a sharp increase in stocks of cigar leaf. Stocks of the other types were maintained at about the same level. There was a marked increase in the exports of flue-cured tobacco to the United Kingdom in 1938 as compared with 1937, but a continuation of this rate of growth in exports is not anticipated.

The negotiated minimum average price for the 1938 flue-cured crop was set at 22.5 cents per pound, 2.0 cents less than that of 1937. Since 1936 the general tendency has been toward lower prices for this type. Prices paid for burley, dark and cigar leaf were higher in 1937 than in any year since 1933, while those for large pipe and small pipe varieties in 1937 compared favourably with the 1936 prices for these types.

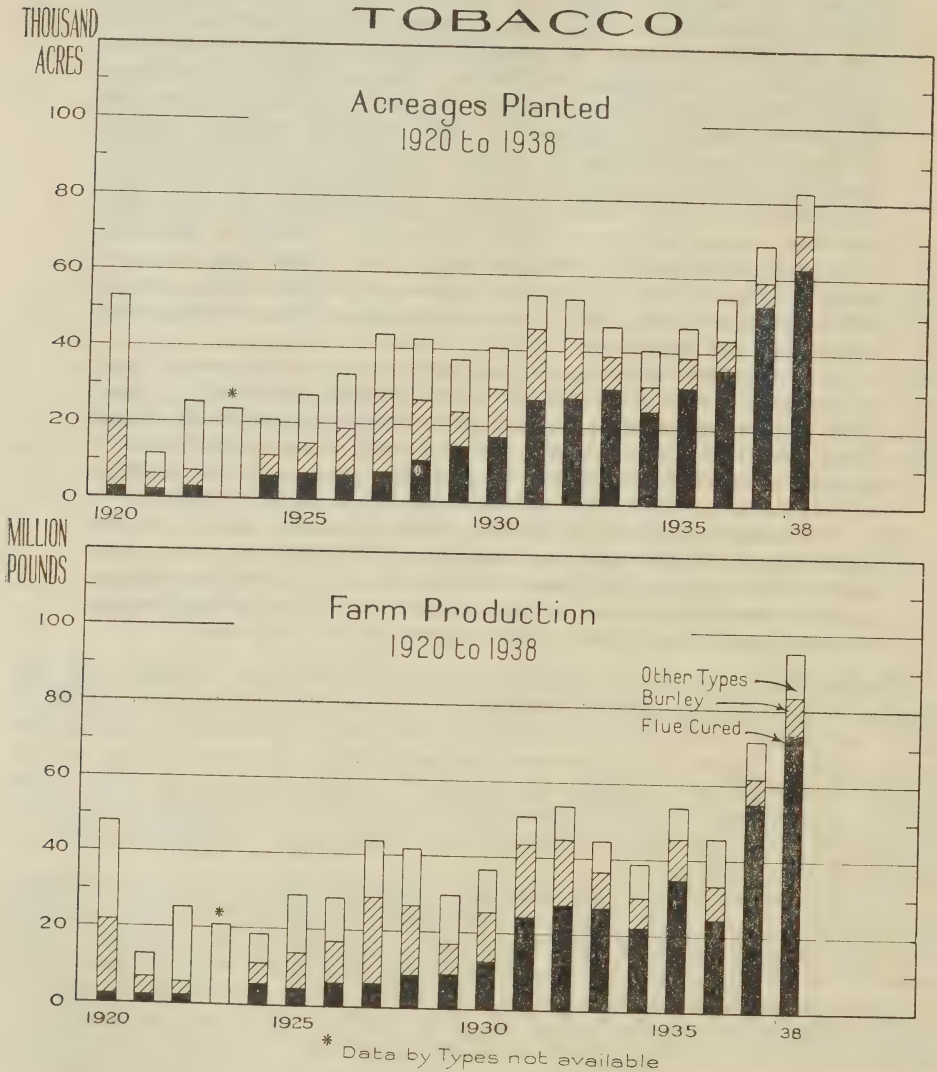
Consideration of all the factors involved suggests that a smaller production of the flue-cured type would be sufficient to meet the requirements of the domestic and export markets. To a somewhat lesser degree a similar situation exists in the case of cigar leaf. The burley situation, however, appears to warrant a slight increase in the 1939 crop.

Production.—For two consecutive years, the Canadian tobacco crop has exceeded all previous production records. The total production of all types in 1938 is estimated at 96 million pounds, an increase of 24 million pounds over that of 1937. The principal increase has been in the flue-cured type, with a total of 73.7 millions as compared with 55.3 million pounds in 1937. The burley crop rose from 6.3 million to 10.7 million, dark from 2.0 to 3.2 million pounds, with small increases in cigar leaf and large pipe. The small pipe type showed a rather sharp decline.

Acreage expansion was the principal cause for the increased production, although more favourable weather conditions throughout the 1938 growing season, resulting in a larger yield per acre, also played an important part. Expansion of the flue-cured area in Ontario was undertaken with a view to the replenishment of depleted stocks of old leaf and also to provide for an anticipated greater demand in the United Kingdom market. The acreage in Ontario was increased from 52,450 in 1937 to 61,000 in 1938 and in Quebec from 420 to 1,850 acres. For similar reasons the area planted to burley rose from 6,142 to 9,215 acres. Smaller increases were recorded in the other types except in the case of small pipe where a decrease occurred. The total area under production in 1938 amounted to 83,275 acres, an increase of about 14,300 acres over that of the previous year.

Domestic Consumption.—Since 1930, there have been important changes in the per capita consumption of the various types of the manufactured product. During this period, there has been a 40 per cent decrease in the use of plug

tobacco. At the end of 1933, the per capita consumption of cigars was about two-thirds of that in 1930. Since then, however, there has been a gradual increase, amounting to ten per cent in 1938. Consumption of cut tobacco also has gradually increased some 20 per cent. The greatest change as affecting production has occurred, however, in the per capita consumption of cigarettes. This was estimated at 494 in 1930, declined to 354 in 1932 and since then has risen gradually to 603 in 1937.



Stocks.—Stocks of dark, large pipe and small pipe tobaccos have undergone very little change during the year. Production of these types appears to be fairly well balanced with domestic and export requirements. Flue-cured stocks rose about 10 million pounds following the large crop in 1937 and with a larger crop in 1938, they will be at a still higher level unless there is a marked advance in exports of flue-cured in 1939. Old cigar leaf stocks also rose to the extent of nearly a million pounds, and old stocks of burley tobacco dropped about 4

million pounds. The 1938 crop of burley is hardly adequate to meet the normal requirements of the domestic and export markets and stocks of old burley leaf will probably be still lower a year hence.

Imports of raw leaf, largely of the flue-cured type, declined rapidly and consistently from 1928, when 17·9 million pounds of foreign leaf were brought in, until 1937, when they amounted to only 2·6 million pounds. For the first ten months of 1938, imports amounted to 3·7 million pounds as compared with 2·3 millions for the same period in 1937. Foreign leaf stocks now being in such a relatively minor position, expansion of domestic production on the basis of replacing foreign leaf in Canadian manufacture is at present of much less importance than was the case ten years ago.

The Export Market.—The year 1938 witnessed a remarkable increase in the exports of Canadian leaf tobacco, particularly to the United Kingdom. During the ten months ended October, 1938, a total of 14·7 million pounds was exported as compared with 8·2 million pounds during the same period of 1937. The increase consisted almost entirely of flue-cured tobacco, exports of which, during the above-mentioned periods, rose from 3·9 million pounds to 11·9 million pounds. Decreases were recorded in the exports of burley, dark and cigar leaf.

This heavy increase in exports of Canadian flue-cured was due to two main factors, namely, short stocks of Canadian flue-cured in the United Kingdom in the autumn of 1937, and the large supply of high quality leaf from the 1937 crop available at reasonable prices. Old Country buyers took advantage of this situation to build up their stocks. As a result, at the end of September, 1938, stocks of Canadian tobacco in the United Kingdom were equivalent to 30 months' supply on the basis of withdrawals for manufacture for the two years 1936 and 1937. This is slightly more than United States and Southern Rhodesian stocks which are estimated at 24 and 27 months respectively, but considerably less than those of India. With another large crop now being marketed in Canada, the large stocks in the United Kingdom are of particular significance.

The consumption of all tobaccos in the United Kingdom continues to rise, withdrawals for home consumption during the first nine months of 1938 amounting to 140·7 million pounds as compared with 135·7 million pounds during the same period of 1937 and 117·9 million pounds in the first nine months of 1934. At the same time, stocks in bond have risen from 408·5 million pounds on September 30, 1934, to 439·5 million and 514·7 million on the same dates in 1937 and 1938 respectively. It is quite evident that available supplies are increasing more rapidly than consumption.

The use of Canadian leaf by the British industry is increasing. Withdrawals of Canadian leaf from bond for consumption during the first eight months of 1938 totalled 6·7 million pounds as compared with 5·6 million pounds during the same period of 1937. Increases are also shown in the withdrawals of leaf grown by Canada's principal Empire competitors, Southern Rhodesia and India. Most Empire tobacco still finds its way into the pipe trade, although the low price at which both Rhodesian and Indian flue-cured have been available has resulted in a considerable extension of their use in cigarettes. Canadian flue-cured is being used to a slowly increasing extent in the cigarette trade, which accounts for some 65 per cent of the tobacco consumption. In order, however, that the rate of increase may be accelerated, it is felt that the Canadian product must be more widely distributed among the small manufacturers. The price factor has restricted this in the past, but with Canadian flue-cured selling at a somewhat lower price and prices of Rhodesian tobacco higher than in recent years, some development along these lines may be expected. A continuance of the preference accorded Empire tobacco in the United Kingdom market is assured until 1942.

Apart from the United Kingdom, export possibilities for Canadian leaf remain limited. The British West African colonies continue to be the largest secondary outlet, but there was a sharp decline in their imports from Canada in 1938. Shipments to the British West Indies were relatively unchanged. Several European countries, including Belgium, Netherlands, Denmark and Finland, have taken small quantities of burley. Following an encouraging increase in 1937 the exports of cigar leaf to Great Britain practically ceased during 1938.

Prices.—Owing to the large flue-cured crop produced in 1937, there was a temporary delay in sales following the opening of the market; nevertheless, the crop was sold at 27·3 cents a pound, a price approximately 2·8 cents above the negotiated minimum average. No difficulty was encountered in the sale of other types grown, and as a result, fair average prices were obtained. Better prices were paid in 1937 for burley, dark and cigar leaf than in any year since 1933. Prices for these types averaged 13·3, 10 and 12·5 cents per pound respectively. Quebec large pipe tobacco brought 10 cents per pound, which compared favourably with prices received in previous years. The small pipe varieties averaged 15 cents a pound, as compared with 21 cents in 1934 and only 11 cents in 1936.

Following a still further expansion of flue-cured tobacco production in 1938, the negotiated minimum average of 22·5 cents per pound is 2 cents below the 1937 negotiated minimum average. In view of this decrease and the general decline in price since 1936, when 29·4 cents per pound was paid, it would appear that the acreage to be planted in 1939 must be carefully considered if remunerative prices are to prevail. Unless effective grower co-operation is maintained in adjusting future production to market requirements, there may be a recurrence of the low prices of 1932.

Having in mind the limited possibilities for increased consumption of the flue-cured type both in the domestic and export markets, together with the greatly increased stocks of leaf in storage, a somewhat lower acreage allotment in 1939 would appear desirable. In the case of burley the situation is somewhat different and consideration of the various factors involved indicates that a slightly larger crop than that presently being marketed could be absorbed without undue difficulty. On the other hand, the relatively large stocks of dark and cigar leaf, together with little likelihood of increased usings of these types, suggests that a smaller production would be sufficient to satisfy the requirements of both the domestic and export markets.



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